

THIS CIRCULAR TO SHAREHOLDERS OF SOUTHERN STEEL BERHAD (“SSB” OR THE “COMPANY”) (“CIRCULAR”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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Southern Steel Berhad

(Registration No.: 196301000443 (5283-X))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:-

PART A

PROPOSED DISPOSAL OF 12,883,562 EXISTING ORDINARY SHARES IN SOUTHERN STEEL MESH SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SSB (“SSM”), REPRESENTING APPROXIMATELY 55.0% EQUITY INTEREST IN SSM, BY SSB TO BRC ASIA LIMITED FOR A TOTAL CASH CONSIDERATION OF RM61.05 MILLION (“PROPOSED DISPOSAL”)

PART B

INDEPENDENT ADVICE LETTER FROM STRATEGIC CAPITAL ADVISORY SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF SSB IN RELATION TO THE PROPOSED DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

Independent Adviser for Part B

UOBKayHian



UOB KAY HIAN (M) SDN BHD

(Formerly known as UOB Kay Hian Securities (M) Sdn Bhd)
(Registration No.: 199001003423 (194990-K))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

STRATEGIC CAPITAL ADVISORY SDN BHD

(Registration No.: 199901003253 (478153-U))
(Investment Adviser – Corporate Finance CMSL/A0124/2007)
(Licensed by the Securities Commission Malaysia)

The Notice of the Extraordinary General Meeting (“**EGM**”) of SSB and the Form of Proxy are set out in this Circular. Our EGM will be held as follows:-

Date and time of our EGM : Thursday, 7 August 2025 at 2.00 p.m., or any adjournment thereof

Venue of our EGM : Level 4, Southern Steel Mesh Sdn Bhd, Batu 5, 1/2 Miles, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan

As a shareholder, you may appoint a proxy or proxies to attend, speak and vote on your behalf. You must complete and deposit the Form of Proxy at the registered office of our Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or lodge electronically via email at info@sshsb.com.my, not less than 48 hours before the time appointed for holding our EGM or at any adjournment thereof. You are not precluded from attending, speaking and voting at our EGM should you wish to do so.

Last day, date and time for you to lodge the Form of Proxy : Tuesday, 5 August 2025 at 2.00 p.m.

DEFINITIONS

The following definitions shall apply throughout this Circular unless where the context requires otherwise:-

“Act”	: Companies Act 2016
“Advance Venture”	: Advance Venture Investments Limited (Registration No.: T17UF5804G)
“Agreed NA”	: The agreed NA of SSM of RM111,000,000, which was mutually agreed by our Company and BRC, served as the basis for negotiations and the determination of the Disposal Consideration for the Proposed Disposal. The said agreed NA was arrived after taking into consideration, amongst others, the key considerations as set out in Section 2.3(ii) of Part A of this Circular
“Board”	: Our Board of Directors
“BRC” or “Purchaser”	: BRC Asia Limited (Registration No.: 193800054G), a subsidiary of Esteel
“BRC Share(s)”	: Ordinary share(s) in BRC
“Bright Power”	: Bright Power Ventures Limited (Registration No.: 1902447)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
“Circular”	: This circular to our shareholders dated 18 July 2025 in relation to the Proposed Disposal
“Director(s)”	: The director(s) of our Company and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“Disposal Consideration”	: The total cash consideration of RM61.05 million in relation to the Proposed Disposal, subject to the terms and conditions of the SPA
“EGM”	: Extraordinary general meeting
“Esteel”	: Green Esteel Pte Ltd (Registration No.: 201723571G)
“Esteel Group”	: Collectively, Esteel and its subsidiaries
“FPE”	: Financial period ended/ending, as the case may be
“FYE”	: Financial year ended/ending, as the case may be
“HLAI”	: Hong Leong Asia Investments Pte Ltd (Registration No.: 201207012Z)
“HLCH”	: Hong Leong Corporation Holdings Pte Ltd (Registration No.: 200106814M)
“HLIH”	: Hong Leong Investment Holdings Pte Ltd (Registration No.: 194800045K)
“IAL”	: The independent advice letter issued by SCA to our non-interested shareholders in relation to the Proposed Disposal as set out in Part B of this Circular
“Interested Directors”	: Collectively, Seah Kiin Peng and Zhang Cheng who are deemed interested in the Proposed Disposal, as disclosed in Section 10 of Part A of this Circular

DEFINITIONS (CONT'D)

“Interested Parties”	: Collectively, the Interested Directors and Interested Shareholders
“Interested Shareholders”	: Collectively, Esteel, You Zhenhua, Advance Venture, Theme International, Wide Bridge, Bright Power and HILH who are deemed interested in the Proposed Disposal, as disclosed in Section 10 of Part A of this Circular
“Issuance of Shares”	: Issuance of 752,057,840 new SSB Shares to Esteel at an issue price of RM0.42 per SSB Share, which was completed on 16 January 2025
“LAT”	: Loss after tax
“Laurelcap” or “Independent Valuer”	: Laurelcap Sdn Bhd (Registration No.: 200801005326 (806610-U)), the independent valuer appointed by our Company to carry out a formal valuation on the SSM Properties pursuant to the Proposed Disposal
“Listing Manual”	: Listing Manual of the SGX-ST
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“LPD”	: 30 June 2025, being the latest practicable date prior to the printing and despatch of this Circular
“LPS”	: Loss per Share
“Major Shareholder(s)”	: A person who has an interest or interests in one or more voting shares in our Company and the number or aggregate number of those shares, is:- (i) 10% or more of the total number of voting shares in our Company; or (ii) 5% or more of the total number of voting shares in our Company where such person is the largest shareholder of our Company. For the purpose of this definition, “ interest ” shall have the meaning of “ interest in shares ” given in Section 8 of the Act
“NA”	: Net assets
“NBV”	: Net book value
“PAT”	: Profit after tax
“Person(s) Connected”	: Person(s) connected to a Director or Major Shareholder as defined under Paragraph 1.01 of the Listing Requirements
“PN17”	: Practice Note 17 of the Listing Requirements
“Private Placement”	: Private placement of 152,742,000 new SSB Shares to third-party investors at an issue price of RM0.42 per SSB Share, which was completed on 16 January 2025
“Proposed Disposal”	: Proposed disposal of 12,883,562 existing SSM Shares, representing approximately 55.0% equity interest in SSM, by our Company to BRC for the Disposal Consideration
“Rex Plastics”	: Rex Plastics Pte Ltd (Registration No.: 197903839G)
“SCA” or “Independent Adviser”	: Strategic Capital Advisory Sdn Bhd (Registration No.: 199901003253 (478153-U))

DEFINITIONS (CONT'D)

“SFA”	: Securities and Futures Act 2001 of Singapore
“SGX RegCo”	: Singapore Exchange Regulation Pte Ltd (Registration No.: 201709600D)
“SGX-ST”	: Singapore Exchange Securities Trading Limited (Registration No.: 197300970D)
“SHA”	: The shareholders' agreement dated 30 June 2025 entered into between our Company, BRC and SSM in relation to the Proposed Disposal
“SPA”	: The conditional share purchase agreement dated 22 April 2025 entered into between our Company and BRC in relation to the Proposed Disposal
“SSB” or our “Company”	: Southern Steel Berhad (Registration No.: 196301000443 (5283-X))
“SSB Group” or our “Group”	: Collectively, SSB and its subsidiaries
“SSB Share(s)” or “Share(s)”	: Ordinary share(s) in our Company
“SSM”	: Southern Steel Mesh Sdn Bhd (Registration No.: 198001012163 (65949-T)), a wholly-owned subsidiary of our Company
“SSM Properties”	: Material properties owned by SSM as set out in Section 10 of Appendix III of this Circular
“SSM Share(s)” or “Sale Share(s)”	: Ordinary share(s) in SSM
“Starich Investments”	: Starich Investments Pte Ltd (Registration No.: 198303264G)
“Term Sheet”	: The non-binding term sheet dated 28 February 2025 entered into between our Company, SSM and BRC for the purpose of outlining the principal terms and conditions of the proposed disposal of existing SSM Shares by our Company to BRC and the proposed subscription of new SSM Shares by BRC with the aim of BRC becoming the controlling shareholder of SSM
“Theme International”	: Theme International Holdings Limited (Registration No.: T16UF7628G)
“UOBKH” or “Principal Adviser”	: UOB Kay Hian (M) Sdn Bhd (formerly known as UOB Kay Hian Securities (M) Sdn Bhd) (Registration No.: 199001003423 (194990-K))
“Valuation Certificate”	: The valuation certificate dated 4 March 2025 issued by the Independent Valuer in respect of the SSM Properties as set out in Appendix VI of this Circular
“Wide Bridge”	: Wide Bridge Limited (Registration No.: 1902528)

Currencies:-

“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“SGD”	: Singapore Dollar

Unit of measurement:-

“sqm”	: Square metres
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DEFINITIONS (CONT'D)

All references to “**we**”, “**us**”, “**our**” and “**ourselves**” are to SSB or SSB Group. All references to “**you**” in this Circular are to our shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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NOTICE OF EGM**ENCLOSED****FORM OF PROXY****ENCLOSED**

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

EXECUTIVE SUMMARY

This Executive Summary only highlights the key information of the Proposed Disposal in this Circular. You are advised to read and carefully consider the contents of this Circular and the appendices contained herein in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Disposal before voting at our forthcoming EGM.

Key information	Description	Reference to this Circular
Details of the Proposed Disposal	<p>The Proposed Disposal entails the disposal of 12,883,562 Sale Shares, representing approximately 55.0% equity interest in SSM, by our Company to BRC for the Disposal Consideration, subject to the terms and conditions of the SPA.</p> <p>Our Company's shareholding in SSM will be reduced from 100.0% as at the LPD to approximately 45.0% upon completion of the Proposed Disposal, resulting in SSM's reclassification from a wholly-owned subsidiary of our Company to an associate company. As part of the Proposed Disposal, our Company will receive the Disposal Consideration, details of the utilisation of proceeds are set out in Section 4 of Part A of this Circular.</p>	Section 2 of Part A
Basis and justification of determining the Disposal Consideration	<p>The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration the following:-</p> <ul style="list-style-type: none"> (i) the Agreed NA of RM111,000,000, which was mutually agreed by our Company and BRC, serving as the basis for negotiations and determination of the Disposal Consideration; (ii) as the Proposed Disposal aims to result in BRC obtaining a controlling stake in SSM, our Board has considered the dilutive impact of the Proposed Disposal on our Company's equity interest in SSM and the reclassification of SSM as an associate company upon completion of the Proposed Disposal. Hence, the Disposal Consideration represents a premium of 0.01% to the adjusted unaudited NA of SSM based on SSM's unaudited financial statements as at 31 December 2024, represented by approximately 55.0% equity interest of SSM as further detailed in Section 2.3 of Part A of this Circular; and (iii) the rationale and benefits of the Proposed Disposal as set out in Section 3 of Part A of this Circular. <p>Notwithstanding the above, our shareholders should note that the Disposal Consideration will be subject to an adjustment in the event that SSM declares a dividend to our Company prior to the completion of the Proposed Disposal. In such an event, the Disposal Consideration shall be adjusted accordingly based on the formula as set out in Section 3(ii) of Appendix I of this Circular.</p>	Section 2.3 of Part A
Rationale and benefits of the Proposed Disposal	<p>The Proposed Disposal outlines a strategic arrangement in which BRC, an established steel reinforcement fabricator and solutions provider in Asia, will have a controlling stake in SSM whilst our Company will retain a minority stake in SSM upon completion of the Proposed Disposal. The Proposed Disposal is expected to bring the following strategic advantages:-</p> <ul style="list-style-type: none"> (i) To chart SSM's growth under BRC's stewardship With BRC assuming a controlling stake in SSM, BRC will take the lead in shaping SSM's strategic direction and overseeing its daily operations. Leveraging BRC's industry expertise, established market position and technical capabilities, this partnership is expected to drive SSM's business expansion and improve its operational efficiencies. (ii) Value creation for our Company Upon completion of the Proposed Disposal, our company will retain a minority stake in SSM, thereby ensuring our continued participation in SSM's growth trajectory and profitability. 	Section 3 of Part A

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to this Circular
Rationale and benefits of the Proposed Disposal (cont'd)	<p>(iii) Strategic rationale outweighs the accounting loss</p> <p>While the Proposed Disposal is expected to result in a net pro forma loss, it is pertinent to note that such loss is non-cash and accounting in nature, arising from the derecognition of goodwill in respect of our investment in SSM. The Proposed Disposal is not a divestment undertaken for exit purposes, but rather forms part of a broader strategic arrangement with BRC to reposition our investment in SSM under a new shareholding structure.</p> <p>Notwithstanding the above, it is pertinent to note that the Proposed Disposal is in line with the business strategy of our Group, and the proceeds to be raised from the Proposed Disposal will strengthen our Company's financial position.</p>	
Utilisation of proceeds	<p>The Proposed Disposal is expected to raise total gross cash proceeds of RM61.05 million, and such proceeds are intended to be utilised to support our working capital requirements as well as for the payment of the estimated expenses in relation to the Proposed Disposal.</p>	Section 4 of Part A
Risk factors	<p>The risk factors relating to the Proposed Disposal, which may not be exhaustive, are set out below:-</p> <ul style="list-style-type: none"> (i) non-completion risk; (ii) transaction risk; and (iii) loss of potential future earnings of SSM. 	Section 5 of Part A
Approvals required and conditionality	<p>The Proposed Disposal is subject to the following being obtained:-</p> <ul style="list-style-type: none"> (i) approval from our non-interested shareholders at our forthcoming EGM; (ii) BRC having obtained an assessment by SGX RegCo on BRC's views on the application of Rule 908(2) of the Listing Manual vis-à-vis disaggregating transactions with our Group and Esteel Group as defined in the Listing Manual, which was obtained on 5 May 2025; and (iii) approvals/consents from any other relevant authorities and/or parties, if required. <p>The Proposed Disposal is not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.</p>	Section 8 of Part A
Interest of Directors, Major Shareholders and/or Persons Connected	<p>Save for the Interested Parties, none of our Directors, Major Shareholders and/or Persons Connected have any interest, whether direct or indirect, in the Proposed Disposal.</p> <p>In view of the interest of the Interested Parties in the Proposed Disposal, the Proposed Disposal is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements.</p>	Section 10 of Part A
Directors' statement/recommendation	<p>Our Board (save for the Interested Directors), after having considered the evaluation of the Independent Adviser and all aspects of the Proposed Disposal, including but not limited to the rationale, benefits and risk factors of the Proposed Disposal, basis and justification of determining the Disposal Consideration, salient terms of the SPA and SHA as well as the financial effects of the Proposed Disposal is of the view that the Proposed Disposal is in the best interest of our Company.</p> <p>Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM.</p>	Section 13 of Part A

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Southern Steel Berhad

(Registration No.: 196301000443 (5283-X))
(Incorporated in Malaysia)

Registered Office

Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

18 July 2025

Board of Directors

Seah Kiin Peng	<i>(Non-Executive Chairman/Non-Independent)</i>
Yeoh Choon Kwee	<i>(Group Managing Director/Non-Independent)</i>
Zhang Cheng	<i>(Executive Director)</i>
Dato' Tan Ang Meng	<i>(Non-Executive Director/Independent)</i>
Chin Siew Siew	<i>(Non-Executive Director/Independent)</i>
Datuk Ir. Rosaline Ganendra	<i>(Non-Executive Director/Independent)</i>

To: Our shareholders

Dear Sir/Madam,

PROPOSED DISPOSAL

1. INTRODUCTION

On 28 February 2025, our Board announced that our Company had, on even date, executed the Term Sheet with BRC and SSM, for the purpose of outlining the principal terms and conditions for the following:-

- (i) proposed disposal of existing SSM Shares by our Company to BRC; and
- (ii) proposed subscription of new SSM Shares by BRC ("**Proposed Subscription**"),

with the aim of BRC becoming the controlling shareholder of SSM (i.e. holding more than 50% of the enlarged issued share capital of SSM) after the completion of the above proposed corporate exercises. Pursuant to the Term Sheet, our Company, SSM and BRC have a period of 3 months from the date of the Term Sheet to negotiate and finalise the terms of the conditional share purchase and subscription agreement.

Subsequent thereto, after the conclusion of negotiations, our Company and BRC resolved to pursue only the Proposed Disposal (and to forgo the previously contemplated Proposed Subscription). Hence, on 22 April 2025, UOBKH had, on behalf of our Board, announced that our Company had, on even date, entered into the SPA with BRC in relation to the Proposed Disposal. The salient terms of the SPA are set out in **Appendix I** of this Circular.

Upon completion of the Proposed Disposal, BRC will have an equity interest of approximately 55.0% in SSM, while our Company will retain an equity interest of approximately 45.0% in SSM, resulting in SSM becoming an associate company of our Company.

Subsequently, our Company had on 30 June 2025 entered into the SHA with BRC and SSM to regulate the conducts, rights and obligations as shareholders of SSM. The salient terms of the SHA are set out in **Appendix II** of this Circular.

In view of the interest of the Interested Parties in the Proposed Disposal as disclosed in **Section 10 of Part A** of this Circular, the Proposed Disposal is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, SCA has been appointed as the Independent Adviser on 25 February 2025 to advise our non-interested Directors and non-interested shareholders in relation to the Proposed Disposal. The IAL in relation to the Proposed Disposal is set out in **Part B** of this Circular.

Further details of the Proposed Disposal are set out in the ensuing sections of **Part A** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

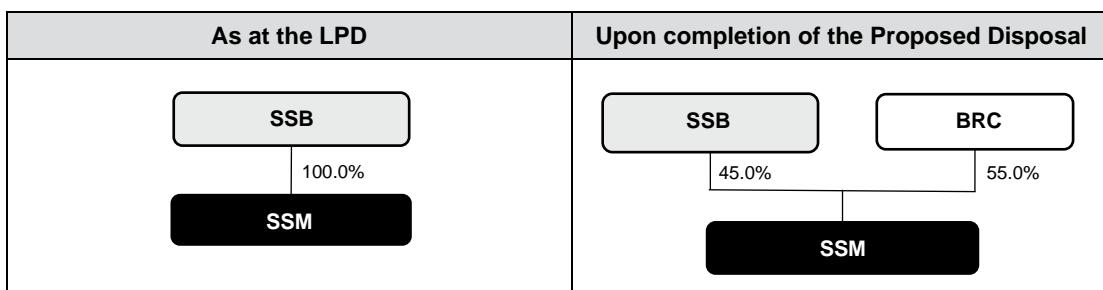
YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE IAL AND THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal of 12,883,562 Sale Shares, representing approximately 55.0% equity interest in SSM, by our Company to BRC for the Disposal Consideration, subject to the terms and conditions of the SPA.

It is pertinent to note that our Company's shareholding in SSM will be reduced from 100.0% as at the LPD to approximately 45.0% upon completion of the Proposed Disposal, resulting in SSM's reclassification from a wholly-owned subsidiary of our Company to an associate company. As part of the Proposed Disposal, our Company will receive the Disposal Consideration, details of the utilisation of proceeds are set out in **Section 4 of Part A** of this Circular.

The shareholding structure of SSM as at the LPD and upon completion of the Proposed Disposal are as illustrated below:-



	As at the LPD		After the Proposed Disposal	
	No. of SSM Shares	%	No. of SSM Shares	%
SSB	23,424,658	100.0	10,541,096	45.0
BRC	-	-	12,883,562	55.0
Total	23,424,658	100.0	23,424,658	100.0

2.1 Information on SSM

SSM was incorporated as a private limited company in Malaysia under the Companies Act 1965 on 27 December 1980, having its registered address at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan.

SSM is principally involved in manufacturing, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products.

SSM has an issued share capital of RM44,497,613.82 comprising 23,424,658 SSM Shares as at the LPD.

SSM does not have any subsidiary or associate company as at the LPD.

Further information on SSM is set out in **Appendix III** of this Circular.

2.2 Information on the Purchaser

BRC was incorporated in Singapore under the laws of Singapore on 14 December 1938, having its registered address at 350 Jalan Boon Lay, Jurong Industrial Estate, Singapore 619530. BRC is listed on the Mainboard of SGX-ST.

BRC and its subsidiaries are principally involved in prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars and manufacturing and sale of wire mesh fences. The issued share capital of BRC is SGD185,103,302.95 comprising 275,976,689 BRC Shares (including 1,626,600 BRC Shares held as treasury shares) in the capital of BRC as at the LPD.

Further information on BRC is set out in **Appendix IV** of this Circular.

2.3 Basis and justification of determining the Disposal Consideration

The Disposal Consideration was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration the following:-

- (i) the Agreed NA of RM111,000,000, which was mutually agreed by our Company and BRC, serving as the basis for negotiations and determination of the Disposal Consideration. The Agreed NA was derived after taking into consideration, amongst others, the total market value of the SSM Properties of RM71.60 million, as ascribed by the Independent Valuer in their Valuation Certificate as set out in **Appendix VI** of this Circular, with the inspection dates of the SSM Properties being 27 February 2025, 28 February 2025 and 4 March 2025. Further details of the SSM Properties are set out in **Section 10 of Appendix III** of this Circular;

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(ii) as the Proposed Disposal aims to result in BRC obtaining a controlling stake in SSM, our Board has considered the dilutive impact of the Proposed Disposal on our Company's equity interest in SSM and the reclassification of SSM as an associate company upon completion of the Proposed Disposal. Hence, the Disposal Consideration represents a premium of 0.01% to the adjusted unaudited NA of SSM based on SSM's unaudited financial statements as at 31 December 2024, represented by approximately 55.0% equity interest of SSM as set out in the computation below:-

	RM	RM
Unaudited NA of SSM as at 31 December 2024		105,624,737
Market value of the SSM Properties as appraised by the Independent Valuer ⁽¹⁾	71,600,000	
(Less): Unaudited NBV of the SSM Properties as at 31 December 2024	(56,504,353)	
Revaluation surplus	15,095,647	
(Less): Estimated deferred tax liabilities on the surplus arising from the revaluation of the SSM Properties ⁽²⁾	(3,449,319)	
Net revaluation surplus		11,646,328
(Less): Adjustments on deferred tax ⁽³⁾		(6,280,000)
Adjusted unaudited NA of SSM as at 31 December 2024⁽⁴⁾		110,991,065
Agreed NA (which was the basis for the Disposal Consideration)		111,000,000
Disposal Consideration (which represents 55.0% of the Agreed NA)		61,050,000
55.0% of the adjusted unaudited NA of SSM as at 31 December 2024		61,045,086
Difference		4,914
Premium (%)		0.01

Notes:-

(1) *The market value of the SSM Properties, which forms part of the basis for determining the Disposal Consideration, was appraised by the Independent Valuer as set out in the Valuation Certificate, based on the following valuation approaches:-*

(i) **Cost approach (primary)** – the summation of the land value in the area and cost of constructing a similar property on the land, adjusted for depreciation based on physical deterioration, functional obsolescence and economic obsolescence.

The cost approach was adopted as the primary valuation approach as it is considered the most appropriate approach in view of the nature of the SSM Properties, which are purpose-built industrial facilities intended for owner-occupation rather than for investment or rental purposes. As such, the cost approach, which reflects the replacement cost of the SSM Properties less appropriate allowances for depreciation, is deemed to provide a more accurate representation of the market value of the SSM Properties.

(ii) **Income approach (secondary)** – capitalisation of net annual income expected to be generated from the asset after deducting annual expenses incidental to the property with an allowance for unoccupancy, using an appropriate market-derived capitalisation rate.

The income approach was adopted only as a secondary valuation approach for cross-checking purposes. This is due to the limited availability of sufficient market data on rental rates and market yields for comparable industrial properties in the vicinity, particularly in the context of the SSM Properties which are located in an area where most industrial assets are owner-occupied and not actively traded or leased in the open market. Furthermore, rental rates and yields in the area are subject to fluctuations and lack of consistency, which further limits the reliability of this method in arriving at an accurate market value for the SSM Properties.

The details of the market value ascribed to the SSM Properties are set out below:-

SSM Properties	Market value	
	Cost approach (primary)	Income approach (secondary)
Subject property located in Penang	RM11,500,000	RM11,000,000
Subject property located in Kapar	RM48,000,000	RM49,000,000
Subject property located in Kuantan	RM12,100,000	RM11,500,000
Total	RM71,600,000	

(2) Adjusted for deferred tax at the statutory corporate tax rate in Malaysia (leasehold land and buildings: 24.0%; freehold land: 10.0%).

(3) The adjustments on deferred tax were made after taking into consideration the uncertainty of the utilisation and recognition of unabsorbed tax losses that are subject to expiration, and the impending change in control and ownership to BRC under the Proposed Disposal. The computations on the adjustments are set out below:-

Year of assessment	Estimated unabsorbed tax losses (RM'000)	Expiry of the tax losses	*Net adjustment (RM'000)
2018	17,090	2029	4,102
2019	7,752	2030	1,860
2020	1,325	2031	318
			6,280

Note:-

* Computed based on the estimated unabsorbed tax losses multiplied by the tax rate of 24.0%.

Our management is of the view that the adjustments are both necessary and prudent in view of the uncertainty of utilisation and recognition of unabsorbed tax losses after taking into consideration, amongst others, the current state of the production operations of SSM (which will require substantial capital expenditure in the near term to upgrade its production lines and such expenditure, in turn, will likely to have a material impact to the profitability of SSM) and the risk factors as set out in **Section 5 of Part A** of this Circular in terms of the challenges in realising the intended synergies between both parties as well as the prevailing uncertainty in the economic outlook of the steel industry. Further, the impending change in control of SSM to BRC also requires a reassessment of the unabsorbed tax losses for prudence purposes as our Group will cease to control SSM and will only retain a minority interest post completion of the Proposed Disposal.

(4) As at 31 December 2024, the total unaudited NBV of all properties owned by SSM amounted to RM56.66 million, comprising the following:-

Properties owned by SSM	Unaudited NBV as at 31 December 2024 (RM'000)	% of the total NBV
SSM Properties		
Subject property located in Penang	9,533	16.83
Subject property located in Kapar	41,008	72.38
Subject property located in Kuantan	5,963	10.52
	56,504	99.73
Other properties		
Single storey terrace house located in Johor	71	0.13
Office lot located in Penang	82	0.14
Total	56,657	100.00

The Independent Valuer has conducted a valuation solely on the SSM Properties for the purpose of the Proposed Disposal, which represent approximately 99.73% of the total unaudited NBV of all properties owned by SSM as at 31 December 2024.

The remaining 2 properties located in Johor and Penang, with an aggregate unaudited NBV of RM0.15 million (representing 0.27% of the total unaudited NBV of all properties owned by SSM as at 31 December 2024) were not included in the valuation exercise as they are not material in the context of SSM's total property portfolio and total assets and are not expected to have a material impact on the adjusted unaudited NA of SSM as at 31 December 2024.

(iii) the rationale and benefits of the Proposed Disposal as set out in **Section 3 of Part A** of this Circular.

Notwithstanding the above, our shareholders should note that the Disposal Consideration will be subject to an adjustment in the event that SSM declares a dividend to our Company ("Dividend Declared") prior to the completion of the Proposed Disposal. In such an event, the Disposal Consideration shall be adjusted accordingly based on the formula set out in **Section 3(ii) of Appendix I** of this Circular, being 55.0% of the amount after deducting the Dividend Declared from the Agreed NA of RM111,000,000.

2.4 Mode of settlement

Pursuant to the terms of the SPA, the Disposal Consideration is to be fully satisfied in cash upon completion of the Proposed Disposal.

2.5 Date and original cost of investment

The date and original cost of investment by our Company in SSM are as follows:-

Date of investment	No. of SSM Shares	Original cost of investment (RM)	Remark
23 May 1996	924,658	22,000,000	Acquisition of SSM Shares
29 June 1998	787,671	24,150,000	Acquisition of SSM Shares
13 June 2000	1,712,329	22,500,000	Acquisition of SSM Shares
9 July 2018	20,000,000	20,000,000	Subscription of SSM Shares
Total	23,424,658	88,650,000	

2.6 Liabilities which will remain with our Company

Save for the obligations and liabilities stated in and arising from the SPA, there are no other liabilities, including contingent liabilities, which will remain with our Company pursuant to the Proposed Disposal.

In addition, there is no guarantee given by our Company to BRC in relation to the Proposed Disposal.

2.7 Expected loss arising from the Proposed Disposal

The Proposed Disposal is expected to result in a net pro forma loss to our Group, details of which are set out below:-

	RM
Disposal Consideration	61,050,000
(Less): Unaudited NA of SSM as at 31 December 2024 ⁽¹⁾	(58,093,605)
Estimated expenses in relation to the Proposed Disposal ⁽²⁾	(820,000)
Goodwill ⁽³⁾	(17,347,800)
Estimated net pro forma loss arising from the Proposed Disposal	(15,211,405)

Notes:-

(1) 55.0% of the unaudited NA of SSM as at 31 December 2024.

(2) *Include professional fees (i.e. Principal Adviser, solicitors, Independent Valuer, Independent Adviser and other professional advisers) and other direct expenses in relation to the Proposed Disposal.*

(3) *Goodwill in relation to SSM was initially recognised by our Group upon the acquisition of SSM by our Company due to the premium paid over the NA of SSM at the point of completion of the acquisition. The recognised goodwill of RM19.77 million was subsequently adjusted in the following manner pursuant to the Proposed Disposal:-*

Details	RM'000
Goodwill recognised by our Group upon the acquisition of SSM by our Company	19,767
Less: Fair value of SSM Shares to be retained by our Group as an investment in associate pursuant to the Proposed Disposal	(i) (2,419)
Goodwill to be derecognised by our Group	<u><u>17,348</u></u>

Note:-

(i) *Computed based on 10,541,096 SSM Shares (representing 45.0% equity interest in SSM) retained by our Company post Proposed Disposal multiplied by RM0.2295 per SSM Share (being the difference in value per SSM Share as at 31 December 2024 and the Agreed NA pursuant to the Proposed Disposal), the computation of which is set out below:-*

Details	RM'000	*Value per SSM Share (RM)
Agreed NA pursuant to the Proposed Disposal	111,000	4.7386
Unaudited NA of SSM as at 31 December 2024	105,625	4.5091
Difference in value per SSM Share		<u><u>0.2295</u></u>

Note:-

* Based on 23,424,658 SSM Shares.

2.8 Cash company or PN17 company

Based on the audited consolidated financial statements of our Company for the FYE 30 June 2024, the Proposed Disposal is not expected to result in our Company becoming a cash company or a PN17 company as defined under the Listing Requirements.

3. RATIONALE AND BENEFITS OF THE PROPOSED DISPOSAL

The Proposed Disposal outlines a strategic arrangement in which BRC, an established steel reinforcement fabricator and solutions provider in Asia, will have a controlling stake in SSM whilst our Company will retain a minority stake in SSM upon completion of the Proposed Disposal. The Proposed Disposal is expected to bring the following strategic advantages:-

(i) To chart SSM's growth under BRC's stewardship

With BRC assuming a controlling stake in SSM, BRC will take the lead in shaping SSM's strategic direction and overseeing its daily operations. BRC is an established steel reinforcement solutions provider with a long-standing presence across various markets in Asia and is an established supplier of steel welded fence mesh products in Singapore under the brand name "BRC Weldfence".

Leveraging BRC's industry expertise, established market position and technical capabilities, this partnership is expected to drive SSM's business expansion and improve its operational efficiencies. These enhancements are anticipated to support stronger financial performance and long-term growth for SSM. By transitioning SSM to an associate company, our Group is able to retain exposure to SSM's potential upside while redeploying resources more efficiently and avoiding the capital and operational demands associated with a controlling interest. This structure is expected to deliver improved long-term value to our Group through a more focused investment approach, while allowing our Group to benefit from the strategic alignment with BRC's operational capabilities, industry experience and established market presence.

(ii) Value creation for our Company

Upon completion of the Proposed Disposal, our company will retain a minority stake in SSM, thereby ensuring our continued participation in SSM's growth trajectory and profitability. The strategic arrangement with BRC is expected to enhance the long-term valuation of SSM, thereby potentially increasing the value of our investment. While the Proposed Disposal will result in the loss of our controlling stake in SSM and the cessation of its financial consolidation within our Group, the realignment reflects a deliberate strategy to optimise roles, resources and capabilities in support of SSM's long-term growth trajectory. This structure enables our Group to retain equity exposure to SSM's future value creation, while capitalising on BRC's industry expertise and operational scale to accelerate business expansion.

(iii) Strategic rationale outweighs the accounting loss

While the Proposed Disposal is expected to result in a net pro forma loss as set out in **Section 2.7 of Part A** of this Circular, it is pertinent to note that such loss is non-cash and accounting in nature, arising from the derecognition of goodwill in respect of our investment in SSM. The Proposed Disposal is not a divestment undertaken for exit purposes, but rather forms part of a broader strategic arrangement with BRC to reposition our investment in SSM under a new shareholding structure. This structure is designed to support SSM's long-term growth and unlock future value creation through a more synergistic alignment of shareholder roles and strategic direction.

The strategic partnership with BRC is expected to provide SSM with access to additional operational expertise, industry networks and resources, which may enhance SSM's future performance and valuation. Notwithstanding the accounting loss, our Board is of the view that the Proposed Disposal is in the interest of our Company as it allows continued participation in the future prospects of SSM through a minority stake, while also enabling our Company to realise proceeds to be raised from the Proposed Disposal that may be utilised to strengthen our financial position and support other strategic initiatives. Accordingly, our Board believes that the long-term commercial rationale outweighs the short-term financial impact of the net pro forma loss.

Notwithstanding the above, it is pertinent to note that the Proposed Disposal is in line with the business strategy of our Group, and the proceeds to be raised from the Proposed Disposal will strengthen our Company's financial position.

4. UTILISATION OF PROCEEDS

The Proposed Disposal is expected to raise total gross cash proceeds of RM61.05 million, which is intended to be utilised in the following manner:-

Details of utilisation	RM'000	%	Estimated timeframe for utilisation upon completion of the Proposed Disposal
Working capital ⁽¹⁾	60,230	98.66	Within 6 months
Estimated expenses in relation to the Proposed Disposal ⁽²⁾	820	1.34	Within 1 month
Total	<u>61,050</u>	<u>100.00</u>	

Notes:-

(1) Working capital

Our Group intends to utilise RM60.23 million of the proceeds from the Proposed Disposal to support our working capital requirements. The proceeds will be primarily channelled towards, amongst others, payment to suppliers/creditors of our Group, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures. The breakdown of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements of our Group at the time of utilisation. Notwithstanding that and on the best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:-

	RM'000	%
Payment to suppliers/creditors of our Group, which primarily relates to purchase of raw materials	54,207	90.00
General administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures	6,023	10.00
Total	60,230	100.00

As at the LPD, our cash and bank balances stood at RM106.56 million. The allocation of partial proceeds from the Proposed Disposal towards working capital is intended to provide additional financial flexibility to our Group in managing our operating needs and support the day-to-day requirements of our business segments. This approach is intended to reduce reliance on our existing internal cash reserves while preserving our Group's ability to respond to any additional working capital requirements that may arise in our ordinary course of business.

(2) Estimated expenses in relation to the Proposed Disposal

The proceeds earmarked for estimated expenses in relation to the Proposed Disposal will be utilised in the following manner:-

	RM'000	%
Professional fees (i.e. Principal Adviser, solicitors, Independent Valuer, Independent Adviser and other professional advisers) and regulatory fees	724	88.29
Contingencies and other incidental expenses in relation to the Proposed Disposal	96	11.71
Total	820	100.00

In the event that the actual expenses in relation to the Proposed Disposal are higher than estimated, any deficit will be funded through the portion of the proceeds allocated for working capital requirements of our Group or through our Group's internally generated funds. Conversely, any surplus of funds following the payment of the expenses will be utilised for the general working capital requirements of our Group.

Pending the utilisation of proceeds arising from the Proposed Disposal for the above purposes, the proceeds (including accrued interest, if any) will be placed as deposits with licensed financial institutions and/or short-term money market instruments, as our Board may deem fit. Any interest income and/or gains derived from such deposits or instruments will be utilised as additional working capital of our Group.

5. RISK FACTORS

The risk factors relating to the Proposed Disposal, which may not be exhaustive, are set out below:-

5.1 Non-completion risk

The completion of the Proposed Disposal is subject to the fulfilment of the conditions precedent as set out in the SPA as disclosed in **Section 1 of Appendix I** of this Circular. In the event any of the conditions precedent is not fulfilled or waived within the timeframe stipulated in the SPA and/or in the event an extension of time is not agreed between our Company and BRC, the Proposed Disposal may be delayed or terminated in accordance with the SPA, and the potential benefits arising from the proposed utilisation of proceeds as disclosed in **Section 4 of Part A** of this Circular may be deferred or may not materialise.

Notwithstanding the above, our Company will take all reasonable steps that are within our Company's control to ensure that the conditions precedent are fulfilled within the timeframe stipulated in the SPA to ensure the completion of the Proposed Disposal.

5.2 Transaction risk

There is no assurance that the anticipated benefits arising from the Proposed Disposal as set out in **Section 3 of Part A** of this Circular will be realised. The key rationale for the Proposed Disposal is to allow BRC to obtain a controlling stake in SSM with the view that:-

- (i) BRC will take the lead in shaping SSM's strategic direction and overseeing its daily operations; and
- (ii) SSM will be able to leverage on BRC's industry expertise to drive SSM's business expansion and operational efficiencies.

However, BRC may encounter challenges in effectively implementing its strategies and realising the anticipated synergies as set out in **Section 3 of Part A** of this Circular. The transition process may require a longer adjustment period, during which operational inefficiencies or unforeseen strategic misalignments could arise. These may include differences in management and operational approaches. Further, external factors such as economic market conditions, regulatory changes and competitive pressures could further impact the realisation of the anticipated synergistic benefits and value creation.

While our Board has evaluated the merits of the Proposed Disposal, it is pertinent to acknowledge the potential uncertainties associated with transaction execution and integration challenges. The transition process may require a longer timeframe for BRC to effectively establish its strategic influence over SSM and realise the anticipated synergies.

5.3 Loss of potential future earnings of SSM

SSM will no longer be a wholly-owned subsidiary of our Company and will be reclassified as an associate company upon completion of the Proposed Disposal. As such, our Company would lose a portion of the source of revenue and potential profit contributions from SSM in the future. For information purposes, SSM recorded a PAT of RM4.72 million for the FYE 30 June 2024. The PAT of SSM had, to a certain extent, mitigated our Group's overall net loss of RM55.62 million recorded for the same financial year.

Notwithstanding that, our Company is of the view that the Proposed Disposal will not have any material adverse impact on our Group's overall financial performance going forward, as our Group will continue to recognise our share of SSM's profits based on our equity interest holding of 45.0% in SSM pursuant to the reclassification of SSM as an associate company. For illustrative purposes, based on SSM's audited financial statements for the FYE 30 June 2024, the share of profits to be recognised by our Company would be approximately RM2.12 million, assuming the Proposed Disposal was completed on 1 July 2023. The Proposed Disposal forms part of a strategic partnership with BRC, which will spearhead SSM's business operations and growth, leveraging its industry expertise and resources to drive operational efficiencies that will benefit both our Company and BRC. Furthermore, our Company will retain a minority stake in SSM, ensuring continued participation in SSM's growth trajectory and profitability.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital of our Company and the substantial shareholders' shareholdings in our Company as the Proposed Disposal does not involve any issuance of new SSB Shares.

6.2 NA, NA per Share and gearing

For illustrative purposes, based on the latest audited consolidated financial statements of our Company as at 30 June 2024, and assuming that the Proposed Disposal had been completed on 30 June 2024, the pro forma effects of the Proposed Disposal on the audited consolidated NA per Share and gearing of our Group are as follows:-

	Audited as at 30 June 2024 (RM'000)	(1) Subsequent adjustments up to the LPD (RM'000)	Pro forma
			After the Proposed Disposal (RM'000)
Share capital	641,010	1,021,026	1,021,026
Reserves	(72,669)	(74,129)	(⁽²⁾ (89,340))
Total equity attributable to the owners of our Company/ NA	568,341	946,897	931,686
Non-controlling interests	6,129	6,129	6,129
Total equity	574,470	953,026	937,815
No. of SSB Shares in issue ('000)	596,313	1,501,113	1,501,113
NA per SSB Share (RM)	0.95	0.63	0.62
Total borrowings (RM'000)	872,461	622,461	(⁽³⁾ 597,073)
Gearing (times)	1.54	0.66	0.64

Notes:-

(1) After adjusting for the following:-

- (a) the Issuance of Shares and Private Placement, both of which were completed on 16 January 2025; and
- (b) the repayment of bank borrowings amounting to RM250.0 million pursuant to the variation of the utilisation of proceeds raised from the Issuance of Shares and Private Placement ("Variation"). Further details on the Variation are set out in our Company's circular to shareholders dated 6 March 2025 in relation to the Variation.

(2) After accounting for the net pro forma loss of RM15.21 million, which is expected to arise from the Proposed Disposal as further detailed in **Section 2.7 of Part A** of this Circular.

(3) After adjusting for SSM's borrowings amounting to RM25.39 million (which will be excluded from the consolidated financial statements of our Group) following the completion of the Proposed Disposal as SSM will cease to be a subsidiary of our Company.

6.3 Loss and LPS

For illustrative purposes, based on the audited consolidated financial statements of our Company for the FYE 30 June 2024, and assuming that the Proposed Disposal had been completed on 1 July 2023, being the beginning of the FYE 30 June 2024, the pro forma effects of the Proposed Disposal on the consolidated loss and LPS of our Group are as follows:-

	Audited FYE 30 June 2024	(1) Subsequent adjustment up to the LPD	Pro forma
			After the Proposed Disposal
LAT attributable to the owners of our Company (RM'000)	(55,843)	(57,082)	(⁽²⁾ (72,293))
No. of SSB Shares in issue ('000)	596,313	1,501,113	1,501,113
LPS (sen) ⁽³⁾	(9.36)	(3.80)	(4.82)

Notes:-

- (1) After adjusting for the Issuance of Shares and Private Placement, both of which were completed on 16 January 2025.
- (2) After accounting for the net pro forma loss of RM15.21 million, which is expected to arise from the Proposed Disposal as further detailed in **Section 2.7 of Part A** of this Circular.
- (3) Computed based on LAT attributable to the owners of our Company over the total number of SSB Shares in issue.

7. PERCENTAGE RATIOS UNDER THE LISTING REQUIREMENTS

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 10.74%, calculated based on the latest audited consolidated financial statements of our Company for the FYE 30 June 2024.

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Disposal is subject to the following being obtained:-

- (i) approval from our non-interested shareholders at our forthcoming EGM;
- (ii) BRC having obtained an assessment by SGX RegCo on BRC's views on the application of Rule 908(2) of the Listing Manual vis-à-vis disaggregating transactions with our Group and Esteel Group as defined in the Listing Manual, which was obtained on 5 May 2025; and
- (iii) approvals/consents from any other relevant authorities and/or parties, if required.

The Proposed Disposal is not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal which is the subject matter of this Circular, there are no other outstanding corporate exercises that have been announced by our Company but not yet completed as at the date of this Circular.

10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below, none of our Directors, Major Shareholders and/or Persons Connected have any interest, whether direct or indirect, in the Proposed Disposal:-

- (i) Seah Kiin Peng, our Non-Independent Non-Executive Chairman, who is also the Chief Executive Officer and Executive Director of BRC;
- (ii) Zhang Cheng, our Executive Director, who is a nominee of Esteel;
- (iii) Esteel, You Zhenhua, Advance Venture, Theme International, Wide Bridge and Bright Power are the controlling shareholders of both our Company and BRC; and
- (iv) HLIH is the Major Shareholder of both our Company and BRC.

In view of the interest of the Interested Parties in the Proposed Disposal, the Proposed Disposal is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at all relevant Board meetings of our Company in relation to the Proposed Disposal.

The Interested Parties will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM. Further, the Interested Parties will also undertake to ensure that all Persons Connected will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM.

The direct and indirect shareholdings of the Interested Parties in our Company as at the LPD are as follows:-

	Direct		Indirect	
	No. of Shares	(⁽¹⁾ %)	No. of Shares	(⁽¹⁾ %)
<u>Interested Directors</u>				
Seah Kiin Peng	-	-	-	-
Zhang Cheng	-	-	-	-
<u>Interested Shareholders</u>				
Esteel	752,057,840	50.10	-	-
You Zhenhua	-	-	⁽²⁾ 752,057,840	50.10
Advance Venture	-	-	⁽³⁾ 752,057,840	50.10
Theme International	-	-	⁽³⁾ 752,057,840	50.10
Wide Bridge	-	-	⁽⁴⁾ 752,057,840	50.10
Bright Power	-	-	⁽⁵⁾ 752,057,840	50.10
HЛИH	-	-	⁽⁶⁾ 424,617,539	28.29

Notes:-

- (1) Based on the total number of our issued Shares of 1,501,113,290 Shares as at the LPD.
- (2) Deemed interested by virtue of his direct shareholdings in Esteel and his controlling interest in Advance Venture, Theme International, Wide Bridge and Bright Power pursuant to Section 4 of the SFA.
- (3) Deemed interested by virtue of its direct shareholdings in Esteel pursuant to Section 4 of the SFA.
- (4) Deemed interested by virtue of its controlling interest in Theme International pursuant to Section 4 of the SFA.
- (5) Deemed interested by virtue of its controlling interest in Theme International and Wide Bridge pursuant to Section 4 of the SFA.
- (6) Deemed interested by virtue of its shareholdings in Hong Leong Company (Malaysia) Berhad and company(ies) in which HЛИH has interest pursuant to Section 4 of the SFA.

11. TRANSACTIONS WITH THE INTERESTED PARTIES FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there were no other transactions (other than the recurrent related party transactions pursuant to Paragraph 10.09 of the Listing Requirements, if any) entered into between our Group and the Interested Parties during the 12 months preceding the date of this Circular:-

(i) Issuance of Shares

On 16 January 2025, our Company has completed the issuance of 752,057,840 new SSB Shares to Esteel at an issue price of RM0.42 per SSB Share, representing approximately 50.10% of our enlarged issued share capital upon completion of the Issuance of Shares and Private Placement.

12. BOARD AUDIT & RISK MANAGEMENT COMMITTEE'S STATEMENT

Our Board Audit & Risk Management Committee, in arriving at its views, has sought independent advice from the Independent Adviser for the Proposed Disposal.

After taking into consideration the evaluation of the Independent Adviser and all aspects of the Proposed Disposal, including but not limited to, the rationale, benefits and risk factors of the Proposed Disposal, basis and justification of determining the Disposal Consideration, salient terms of the SPA and SHA as well as the financial effects of the Proposed Disposal, our Board Audit & Risk Management Committee is of the opinion that the Proposed Disposal is:-

- (i) in the best interest of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of our non-interested shareholders.

13. DIRECTORS' STATEMENT/RECOMMENDATION

Our Board (save for the Interested Directors), after having considered the evaluation of the Independent Adviser and all aspects of the Proposed Disposal, including but not limited to the rationale, benefits and risk factors of the Proposed Disposal, basis and justification of determining the Disposal Consideration, salient terms of the SPA and SHA as well as the financial effects of the Proposed Disposal is of the view that the Proposed Disposal is in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM.

14. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to obtaining all required approvals, the Proposed Disposal is expected to be completed in the 3rd quarter of 2025.

The tentative timetable for the implementation of the Proposed Disposal is set out below:-

Tentative timeline	Events
7 August 2025	<ul style="list-style-type: none">• Our forthcoming EGM for the Proposed Disposal• Fulfilment or waiver of all conditions precedent in respect of the SPA
End August	Completion of the Proposed Disposal

15. PRINCIPAL ADVISER AND INDEPENDENT ADVISER

UOBKH has been appointed by our Company to act as the Principal Adviser for the Proposed Disposal.

In view that the Proposed Disposal is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements, SCA has been appointed by our Company to act as the Independent Adviser to undertake the following in relation to the Proposed Disposal:-

- (i) comment as to whether the Proposed Disposal is:-
 - (a) fair and reasonable so far as our non-interested shareholders are concerned; and

- (b) to the detriment of our non-interested shareholders, and such opinion must set out the reasons for the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise our non-interested shareholders on whether they should vote in favour of the resolution pertaining to the Proposed Disposal at our forthcoming EGM; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (i) and (ii) above.

16. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
SOUTHERN STEEL BERHAD

YEOH CHOON KWEE
Group Managing Director/Non-Independent

PART B

**INDEPENDENT ADVICE LETTER FROM SCA TO OUR
NON-INTERESTED SHAREHOLDERS IN RELATION TO
THE PROPOSED DISPOSAL**

EXECUTIVE SUMMARY

ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE “DEFINITIONS” SECTION OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSED DISPOSAL. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAL IN ITS ENTIRETY FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM SCA, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSED DISPOSAL. THIS IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM.

1. INTRODUCTION

On 28 February 2025, the Board announced that the Company had, on even date, executed the Term Sheet with BRC and SSM, for the purpose of outlining the principal terms and conditions for the following:-

- (i) proposed disposal of existing SSM Shares by SSB to BRC; and
- (ii) Proposed Subscription,

with the aim of BRC becoming the controlling shareholder of SSM (i.e. holding more than 50% of the enlarged issued share capital of SSM) after the completion of the above proposed corporate exercises. Pursuant to the Term Sheet, SSB, SSM and BRC have a period of 3 months from the date of the Term Sheet to negotiate and finalise the terms of the conditional share purchase and subscription agreement.

Subsequent thereto, after the conclusion of negotiations, SSB and BRC resolved to pursue only the Proposed Disposal (and to forgo the previously contemplated Proposed Subscription). Hence, in relation thereto, on behalf of the Board, UOBKH had, on 22 April 2025, announced that the Company had, on even date, entered into the SPA with BRC in relation to the Proposed Disposal.

In view of the interests of the Interested Parties, the Proposed Disposal is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, the Board (save for the Interested Directors) had, on 25 February 2025 appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the fairness and reasonableness of the terms of the Proposed Disposal.

The purpose of this IAL is to provide the Board (save for the Interested Directors) and non-interested shareholders with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and whether the Proposed Disposal is to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

2. EVALUATION OF THE PROPOSED DISPOSAL

In arriving at our opinion and recommendation on the Proposed Disposal, we had taken into consideration the following bases and analysis:

Consideration factors	Section	Our evaluation
(a) Rationale and benefits for the Proposed Disposal	5.1	The Proposed Disposal allows the Company to leverage on BRC’s expertise networks and distribution channel to expand market reach, especially in Indonesia, Thailand and India of which BRC has strengthened its presence in Asia in recent years as well as facilitate operational process improvement,

Consideration factors	Section	Our evaluation
		<p>resource sharing and opportunities to develop products and services based on customers' needs. The potential benefits are expected to be achieved through joint identification of synergies including improvement on manufacturing and engineering processes, diversification on supply chain for suppliers and sales channels, thus further improve the financial performance of SSM and benefits the Company as the minority shareholder of SSM.</p> <p>Further, the Proposed Disposal would enable the Group to preserve cash outlay and reduce overhead cost, particularly the capital expenditure required for upgrading of its downstream plants, if any.</p> <p>We are of the opinion that the rationale and benefits for the Proposed Disposal is reasonable, and it is not detrimental to the non-interested shareholders.</p>
(b) Evaluation of the Proposed Disposal		
(i) Basis and justification of determining the Disposal Consideration	5.2.1	<p>The Disposal Consideration was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the following, amongst others:-</p> <ul style="list-style-type: none"> (i) the Agreed NA, which was derived after taking into consideration, amongst others, the total market value of the SSM Properties of RM71.60 million as appraised by the Independent Valuer based on the date of valuation of the SSM Properties on 27 February 2025, 28 February 2025 and 4 March 2025; and (ii) the rationale and benefits of the Proposed Disposal as set out in Section 3, Part A of the Circular. <p>The valuation methodology considered and selected by SCA to evaluate the fair market value of the entire equity interest in SSM is based on the Revalued Net Asset Valuation (“RNAV”) methodology as it seeks to adjust the NA of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm’s financial value. We have also adopted the Relative Valuation Approach (“RVA”) as the secondary methodology to cross-check against the RNAV methodology.</p> <p>Based on RNAV, the Disposal Consideration is fair and reasonable despite a premium of RM4,914 or 0.01% to the value derived based on RNAV, using the fair market value of the SSM Properties as appraised by the Independent Valuer.</p> <p>Based on RVA, the results are as follows:-</p> <ul style="list-style-type: none"> (i) the implied PB Multiple based the RNAV methodology of SSM as at 31 December 2024 are higher than the average, median and the range of PB Multiple of Comparable Companies; (ii) Implied PE Multiple based on SSM’s PAT for the FYE 2024 is higher than the average and median but within the range of PE Multiple of Broad Industry;

Consideration factors	Section	Our evaluation
		<p>(iii) Implied PE Multiple based on SSM's historical average PAT from the FYE 2022 to FYE 2024 is higher than the average and median but within the range of PE Multiple of Broad Industry;</p> <p>(iv) Implied EV/EBITDA Multiple based on SSM's EBITDA for the FYE 2024 is higher than the average and median but within the range of EV/EBITDA Multiple of Broad Industry; and</p> <p>(v) Implied PE Multiple based on SSM's historical average EBITDA from the FYE 2022 to FYE 2024 is higher than the average and median but within the range of EV/EBITDA Multiple of Broad Industry.</p> <p>Premised on the above evaluation, we are of the opinion that the Disposal Consideration is fair and reasonable, and not detrimental to the non-interested shareholders.</p>
(ii) Salient terms of the SPA and SHA	5.2.2 and 5.2.3	We are of the view that the overall terms and conditions of the SPA and SHA are fair and reasonable and not detrimental to the non-interested shareholders.
(c) Risk factor relating to the Proposed Disposal	5.3	<p>The Company is not expected to be exposed to new business risks as a result of the Proposed Disposal. Additionally, the non-interested shareholders should also take note of the additional risk factor in relation to the Proposed Disposal:-</p> <p>(i) Loss of potential higher capital value</p> <p>We also wish to highlight that despite efforts and measures taken by the Company to mitigate the risks associated with the Proposed Disposal, no assurance can be given that one or a combination of risk factors as stated above and in Section 5, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of the Company, its financial performance, financial position or prospects thereon.</p>
(d) Financial effects of the Proposed Disposal	5.4	<p>The financial effects of the Proposed Disposal are as follows:</p> <p>(i) The Proposed Disposal will not have any effect on the issued share capital of SSB and the substantial shareholders' shareholdings in SSB as the Proposed Disposal does not involve any issuance of new SSB Shares.</p> <p>(ii) We have taken note that the Proposed Disposal will result in marginal reduction in the Company's NA and gearing mainly due to the expected loss arising from the Proposed Disposal. Such losses do not have any impact to the Company's cash flow.</p> <p>(iii) we note that LPS will further increase due to the expected loss arising from the Proposed Disposal. With the Proposed Disposal, the Company will focus its resources in exploring various options to upgrade its upstream steelmaking and rolling facilities to enhance productivity and concurrently, participate in SSM's</p>

Consideration factors	Section	Our evaluation
		<p>growth trajectory and profitability via the minority stake in SSM.</p> <p>The impact on the improvements on the Group's LPS moving forward, will depend on the future performance of the Group's upstream business as well as the share of profit arising from SSM.</p> <p>The financial effects of the Proposed Disposal are not detrimental to the interest of the non-interested shareholders.</p>

3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposed Disposal, we are of the opinion that the terms of the Proposed Disposal are **fair and reasonable** and are **not detrimental** to the interests of the non-interested shareholders.

Accordingly, we recommend that the non-interested shareholders to vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholder. We recommend that any non-interested shareholders who require advice in relation to the Proposed Disposal in the context of their individual investment objectives, financial situation or particular needs, consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.



Strategic Capital Advisory Sdn Bhd
(Registration No. 199901003253 (478153-U))
Investment Advisers – Corporate Finance (CMSL/A0124/2007)
(Licensed by Securities Commission)
Unit T05, Tower Block, Plaza Dwitasik,
Jalan Tasik Permaisuri 1, Bandar Sri Permaisuri,
56000 Kuala Lumpur
Our Tel : 603 9171 9600 Our Fax : 603 9173 7600
www.strategiccapital.my

18 July 2025

To: The Non-Interested Shareholders of Southern Steel Berhad

Dear Sir/Madam,

SOUTHERN STEEL BERHAD (“COMPANY”)

INDEPENDENT ADVICE LETTER (“IAL”) IN RELATION TO THE PROPOSED DISPOSAL

This IAL is prepared for inclusion in the Circular dated 18 July 2025 and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 28 February 2025, the Board announced that the Company had, on even date, executed the Term Sheet with BRC and SSM, for the purpose of outlining the principal terms and conditions for the following:-

- (i) proposed disposal of existing SSM Shares by SSB to BRC; and
- (ii) Proposed Subscription,

with the aim of BRC becoming the controlling shareholder of SSM (i.e. holding more than 50% of the enlarged issued share capital of SSM) after the completion of the above proposed corporate exercises. Pursuant to the Term Sheet, SSB, SSM and BRC have a period of 3 months from the date of the Term Sheet to negotiate and finalise the terms of the conditional share purchase and subscription agreement.

Subsequent thereto, after the conclusion of negotiations, SSB and BRC resolved to pursue only the Proposed Disposal (and to forgo the previously contemplated Proposed Subscription). Hence, in relation thereto, on behalf of the Board, UOBKH had, on 22 April 2025, announced that the Company had, on even date, entered into the SPA with BRC in relation to the Proposed Disposal.

In view of the interests of the Interested Parties, the Proposed Disposal is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, the Board (save for the Interested Directors) had, on 25 February 2025 appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the fairness and reasonableness of the terms of the Proposed Disposal.

The purpose of this IAL is to provide the Board (save for the Interested Directors) and non-interested shareholders with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and whether the Proposed Disposal is to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.



Other than for this intended purpose, this IAL should not be used for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without our express written consent.

Non-interested shareholders are advised to read this IAL and Part A of the Circular together with the appendices thereon, and to carefully consider the recommendations contained herein before voting on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. If you are in doubt about the course of action to be taken, you should consult your stockbroker, bank manager, accountant, solicitor or other professional advisers immediately.

2. DETAILS OF THE PROPOSED DISPOSAL

The details of the Proposed Disposal are set out in Section 2, Part A of the Circular and should be read in their entirety.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OF THE COMPANY AND/OR PERSONS CONNECTED

The interests of the Interested Parties are set out in Section 10, Part A of the Circular.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting for the Proposed Disposal at the relevant meetings. The Interested Shareholders and Persons Connected will also abstain from voting in respect of their direct and/or indirect shareholding in the Company, if any, on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

4. LIMITATIONS TO THE EVALUATION OF THE PROPOSED DISPOSAL

SCA was not involved in the formulation of the Proposed Disposal or any deliberation and negotiation on the terms and conditions of the Proposed Disposal.

The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08 of the Listing Requirements and the Best Practice Guide in relation to the IAL issued by Bursa Securities.

Our role as an Independent Adviser does not extend to expressing an opinion on the commercial merits of the Proposed Disposal, which is solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of the consideration are included on matters, which may be commercially oriented, these are incidental to our overall financial evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposed Disposal. SCA's terms of reference as the Independent Adviser is limited to expressing our independent evaluation of the Proposed Disposal which is based on the sources of information as highlighted below.

In rendering our advice, we have taken note of the pertinent issues which we have considered important in enabling us to assess the implications of the Proposed Disposal, and therefore of general concern to the non-interested shareholders of the Company, as such:

- (i) the scope of SCA's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the Proposed Disposal and other implications of the Proposed Disposal only. Comments or points of the consideration which may be commercially oriented such as the rationale and potential benefits of the Proposed Disposal are included in our overall evaluation as we deem it necessary to enable the non-interested shareholders of the Company to consider and form their views thereon;



- (ii) SCA's views and advice as contained in this IAL only cater to the non-interested shareholders of the Company at large and not to any non-interested shareholders individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and
- (iii) we recommend that any individual non-interested shareholder or group of non-interested shareholders of the Company who is in doubt as to the action to be taken or requires advice in relation to the Proposed Disposal in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately. We shall not be liable for any damage or loss sustained or suffered by any individual shareholders or any group of shareholders.

In performing our evaluation, we have relied on the following sources of information:

- (i) The Company's announcements on 28 February 2025 and 22 April 2025 in relation to the Proposed Disposal;
- (ii) The Company's annual reports for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024;
- (iii) The Company's third quarterly consolidated financial results for the 9-month FPE 31 March 2025;
- (iv) SSM's audited financial statements for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024;
- (v) SSM's management accounts for the 6-month FPE 31 December 2024 ("6M-FPE 2024");
- (vi) The SPA and the SHA;
- (vii) The Valuation Certificate and the valuation reports for the SSM Properties prepared by the Independent Valuer ("Valuation Reports");
- (viii) Information contained in Part A of the Circular and the appendices attached thereto;
- (ix) Other relevant information furnished to us by the management of the Company; and
- (x) Other publicly available information which we deemed relevant and reasonable.

We have made all reasonable enquiries and have relied on the Board and management of the Company to exercise due care to ensure that all information, documents as mentioned above and relevant facts, information and representation for our evaluation of the Proposed Disposal had been disclosed to us and after making all reasonable enquiries and to the best of our knowledge and belief, that such information is accurate, reasonable, complete, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We have not undertaken an independent investigation into the SSM Properties and the business of the Company and SSM, as well as we are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We have also assumed that the Proposed Disposal will be implemented based on the terms of the SPA as set out in Appendix I of the Circular, without material waiver or modification.

The Board has, individually and collectively, accepted full responsibility that all material facts, financial and other information essential to our evaluation have been disclosed to us, that they have seen this IAL, and for the accuracy of the information in respect of the Proposed Disposal (save for those in relation to our evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein incomplete, false and/or misleading.



We are satisfied with the disclosures from the Board and management of the Company and that sufficient information has been obtained, and to the best of our knowledge and belief, the information is accurate, reasonable, complete, valid and free from material omission. We have also performed our reasonableness check and where possible, corroborating such information with independent sources.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time.

Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the date hereof. After the dispatch of this IAL, should SCA become aware of any significant change affecting the information contained in this IAL or have reasonable grounds to believe that there is a material omission in this IAL, we will immediately notify the shareholders. If circumstances require, a supplementary IAL will be sent accordingly to the shareholders.

SCA confirms that there is no conflict-of-interest situation or any circumstances which exist or likely to give rise to a possible conflict of interest situation for SCA to carry out the role as the Independent Adviser in connection with the Proposed Disposal. SCA also confirms that it has not been engaged by the Company to provide any professional services in the past two (2) years.

SCA is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. SCA has undertaken the role as an independent adviser for corporate exercises in the past two (2) years before the date of this IAL, which include amongst others:-

- (i) the acquisition by W T K Holdings Berhad of 70% equity interest in Durafarm Sdn Bhd for a total cash consideration of RM132.20 million, as per our independent advice letter dated 19 October 2023;
- (ii) the acquisition by RedPlanet Berhad of 51% equity interest in Azti Technology Sdn Bhd for a purchase consideration of RM7.65 million to be satisfied via a combination of cash consideration of RM5.36 million and share consideration of RM2.29 million via issuance of 10,928,571 new RedPlanet Berhad shares at an issue price of RM0.21 per share, as per our independent advice letter dated 1 November 2023;
- (iii) the acquisition by Chin Hin Group Berhad of 6,218,200 ordinary shares in Ajiya (“Ajiya Share(s)”), representing an equity interest of approximately 2.11% in Ajiya for a total cash consideration of approximately RM9.51 million or RM1.53 per Ajiya Share (“Ajiya Acquisition”) and the resultant proposed mandatory general offer to acquire all the remaining Ajiya Shares not already owned by Chin Hin Group Berhad after the Ajiya Acquisition at an offer price of RM1.53 per Ajiya Share, as per our independent advice letter dated 7 November 2023;
- (iv) the acquisition by Pacific Trustee Berhad, acting as the Trustee of Atrium Real Estate Investment Trust, of a leasehold land held under Title No H.S (D) 324738, PT -, Tempat Industrial Site at Batu Tiga, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan measuring 24,295.208 sq m together with all the buildings and structures erected thereon from a related party, Amazing Blitz Sdn Bhd, for a total cash consideration of RM41.00 million, as per our independent advice letter dated 16 January 2024;
- (v) the acquisition by Amverton Prop Sdn Bhd, an indirect wholly owned-subsidiary of HIL Industries Berhad of 100% equity interest in Broadwise Corporation Sdn Bhd from Puan Sri Datin Catherine Yeoh Eng Neo, Dato’ Milton Norman Ng Kwee Leong and Konsep Kekal Sdn Bhd for a cash consideration of RM46.0 million as well as the acquisition by Amverton Prop Sdn Bhd of a parcel of freehold land measuring approximately 3.0 acres located in Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur from A&M Modern Homes Sdn Bhd for a cash consideration of RM47.0 million, as per our independent advice letter dated 28 February 2024;



- (vi) the acquisition by Pesona Metro Holding Berhad of 51.0% equity interest in Gaya Kuasa Sdn Bhd for a total cash consideration of RM40.80 million, as per our independent advice letter dated 19 September 2024;
- (vii) the acquisition by Ge-Shen Corporation Berhad of 40.0% equity interest in Local Assembly Sdn Bhd for a purchase consideration of RM48.00 million, as per our independent advice letter dated 7 October 2024;
- (viii) the acquisition by MClean Technologies Berhad of the plastic injection moulding business of WE Total Engineering Sdn Bhd, for a total cash consideration of approximately RM6.04 million, as per our independent advice letter dated 22 November 2024; and
- (ix) the acquisition by Binasat Properties Sdn Bhd, a wholly-owned subsidiary of Binasat Communications Berhad, of three (3) properties located within Sazean Business Park for a total cash consideration of RM8.34 million as well as the leases of the aforementioned properties, as per our independent advice letter dated 7 April 2025.

Premised on the foregoing, SCA is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders in relation to the Proposed Disposal.

5. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have considered the following:

- (i) Rationale and benefits of the Proposed Disposal;
- (ii) Evaluation of the Proposed Disposal:
 - (a) Basis and justification of determining the Disposal Consideration; and
 - (b) Salient terms of the SPA and SHA;
- (iii) Risk factors relating to the Proposed Disposal; and
- (iv) Financial effects of the Proposed Disposal.

5.1 Rationale and Benefits of the Proposed Disposal

The details and the rationale and benefits of the Proposed Disposal are as set out in Section 3, Part A of the Circular.

Currently, the Group is principally involved in the manufacturing and trading of steel bars and related products that can be categorised into two (2) business segments as follows:-

- (i) Upstream business: includes billets, steel bar and wire rods; and
- (ii) Downstream business: includes cut and bend bars, wire mesh, pre-stressed concrete steel products and steel welded pipes.

The Company is currently a subsidiary of Esteel and is expected to create synergies between Esteel Group and the Company as both entities are involved in the steel industry. As disclosed in the Company's circular to shareholders dated 19 December 2024, the expected operational impact to the Group from leveraging on the expertise of Esteel Group in the steel related industry includes the improvement in supply chain and enhanced network on material sourcing, expansion in distribution channel and market reach and the operational process improvement, resource sharing and opportunities to develop products and services based on customers' needs.

With the strategic partnership with Esteel Group, the Company is exploring various options to upgrade its upstream steelmaking and rolling facilities to enhance productivity, improve operational and energy efficiency, increase product range, including higher grade steel to position the Group to be more resilient and competitive.



Similarly, the Proposed Disposal is part of the Group's strategy to strengthen the Group's downstream operation through strategic partnership with BRC, who will be spearheading the downstream business and ensuring the Company's continued participation in SSM's growth trajectory and profitability.

BRC is a public company listed on the Mainboard of SGX-ST. BRC offers a full suite of reinforcing steel products and services that include standard length rebar, cut and bend services, prefabrication services as well as standard and customised welded wire mesh for the building and construction industry. By transferring laborious and unproductive in-situ steel fixing work to factory fabrication, substantial benefits in onsite manpower savings, shorter construction cycle, better buildability and productivity can be achieved for the builder, leading to a better outcome for all stakeholders. Set out below are the historical financial results of BRC from the FYE 30 September 2022 to FYE 30 September 2024:-

	FYE 30 September 2022 (SGD' million)	Audited FYE 30 September 2023 (SGD' million)	FYE 30 September 2024 (SGD' million)
Revenue	1,699.27	1,627.00	1,481.36
PAT	90.22	75.75	93.54
NA	398.79	427.31	475.28

(Source: BRC's annual reports)

The Proposed Disposal allows the Company to leverage on BRC's expertise networks and distribution channel to expand market reach, especially in Indonesia, Thailand and India of which BRC has strengthened its presence in Asia in recent years, as well as facilitate operational process improvement, resource sharing and opportunities to develop products and services based on customers' needs. In addition, BRC possesses advanced manufacturing capabilities such as fully automatic mesh welding lines, automated shear lines rebar cutting, automatic double benders as well as automatic link bender with the fabrication capacity of more than 3,000 metric tonne per day. As the frontrunner in Singapore's reinforcing steel fabrication sector, BRC continues to lead the industry in advancing smarter, stronger and more efficient solutions. It continues to progressively incorporate digitalisation tools into the daily operations and introducing industrial automation technologies such as robotics into its production processes. As such, the potential benefits are expected to be achieved through joint identification of synergies including improvement on manufacturing and engineering processes, diversification on supply chain for suppliers and sales channels, thus further improve the financial performance of SSM and benefits the Company as the minority shareholder of SSM.

Further, the Proposed Disposal would enable the Group to preserve cash outlay and reduce overhead cost, particularly the capital expenditure required for upgrading of its downstream plants, if any.

The Proposed Disposal also presents an opportunity for the Group to realise its investment in SSM at a reasonable price (which will be discussed in Section 5.2.1 of this IAL). Notwithstanding the benefits to be derived from the strategic partnership with BRC, the Proposed Disposal will result in an estimated net pro forma loss of approximately RM15.21 million mainly due to the derecognition of the goodwill, which was initially recognised when the Company acquired and/or subscribed to SSM Share since year 1996 to year 2018. Such losses do not have any impact to the statement of cash flow but merely accounting in nature.



In addition, the Group shall relinquish its controlling stake in SSM and unable to consolidate the result of SSM upon the completion of the Proposed Disposal. However, we are of the view that the Proposed Disposal is reasonable as it allows the Group to strategically realign the position of SSM for sustained future growth by optimising operational efficiency and resource allocation. It also allows the Group to maintain equity exposure for future value creation arising from BRC's scale and expertise in the downstream operation, which is expected to accelerate commercial momentum.

We take cash and bank balances of the Group stood at approximately RM279.26 million based on the latest unaudited financial results for the FPE 31 March 2025 and RM106.56 million as at the LPD. The Group intends to reduce reliance on its existing internal cash reserves, thereby preserving the Group's financial flexibility. By maintaining adequate liquidity, the Group is better positioned to respond to additional working capital requirements that may arise in the ordinary course of business, without compromising the Group's operational stability or strategic initiatives.

Premised on the above, we are of the opinion that the rationale and benefits of the Proposed Disposal are reasonable as the Proposed Disposal will strengthen the Group's downstream business via the strategic partnership with BRC, who will be spearheading the downstream business while ensuring the Company's continued participation in SSM's growth trajectory and profitability. Nevertheless, the non-interested shareholders of the Company should note that the potential benefits arising from the Proposed Disposal, are subject to certain risk factors as disclosed in Section 5, Part A of the Circular as well as Section 5.3 of this IAL.

5.2 Evaluation of the Proposed Disposal

5.2.1 Basis and justification of determining the Disposal Consideration

The basis and justification of determining the Disposal Consideration is set out in Section 2.3, Part A of the Circular.

The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following, amongst others:-

- (i) the Agreed NA, which was derived after taking into consideration, amongst others, the total market value of the SSM Properties of RM71.60 million as appraised by the Independent Valuer based on the date of valuation of the SSM Properties on 27 February 2025, 28 February 2025 and 4 March 2025; and
- (ii) the rationale and benefits of the Proposed Disposal as set out in Section 3, Part A of the Circular.

In establishing our opinion on the evaluation, SCA has considered various methodologies, which are commonly used for valuation, taking into consideration SSM's future earnings generating capabilities, projected future cash flows, its sustainability as well as various business considerations and risk factors affecting its business.

The valuation methodology considered and selected by SCA to evaluate the fair market value of the entire equity interest in SSM is based on the Revalued Net Asset Valuation ("RNAV") methodology as it seeks to adjust the NA of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm's financial value. We have also adopted the Relative Valuation Approach ("RVA") as the secondary methodology to cross-check against the RNAV methodology.

Further, SCA has also considered other valuation methodologies and found that the following valuation methodologies are not suitable in arriving at the fair market value of the entire equity interest in SSM based on the following factors:-

Valuation methodologies	Discussion																								
Discounted Free Cash Flow to Firm (“FCFF”)	<p>The Discounted FCFF Methodology is a commonly used investment appraisal technique to evaluate the attractiveness of an investment opportunity which takes into consideration, amongst others, the time value of money and the projected net cash flow generated discounted at a specified discount rate to arrive at the valuation of the subject matter.</p> <p>Typically, the future cash flow would rely on a variety of external factors, such as, amongst others, market demand, economic environment, unforeseen obstacles and competitions and would be even more difficult to estimate amid this current market condition for the industry that SSM is in.</p> <p>Based on the above coupled with the uncertainty in its future purchase orders, the assumptions to be adopted in its financial forecast and projections would be challenging to be arrived at. Further, the historical profitability of SSM fluctuated significantly as shown in the table below and would be strenuous to assume that profits will grow in the near future.</p> <table border="1" data-bbox="608 848 1316 990"> <thead> <tr> <th></th> <th colspan="3">Audited FYE 30 June</th> <th colspan="2">Unaudited FPE 31 December</th> </tr> <tr> <th></th> <th>2022 RM'000</th> <th>2023 RM'000</th> <th>2024 RM'000</th> <th>2023 RM'000</th> <th>2024 RM'000</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>513,545</td> <td>507,160</td> <td>524,280</td> <td>261,815</td> <td>233,332</td> </tr> <tr> <td>PAT/(LAT)</td> <td>4,966</td> <td>(2,626)</td> <td>4,719</td> <td>2,511</td> <td>(243)</td> </tr> </tbody> </table> <p>As a result of the above, we have concluded that this methodology is not suitable in the determination of the fair market value of the entire equity interest in SSM.</p>		Audited FYE 30 June			Unaudited FPE 31 December			2022 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	Revenue	513,545	507,160	524,280	261,815	233,332	PAT/(LAT)	4,966	(2,626)	4,719	2,511	(243)
	Audited FYE 30 June			Unaudited FPE 31 December																					
	2022 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000																				
Revenue	513,545	507,160	524,280	261,815	233,332																				
PAT/(LAT)	4,966	(2,626)	4,719	2,511	(243)																				
Comparable Transaction Analysis (“CTA”)	<p>CTA is a valuation methodology which seeks to compare against other recent comparable transactions undertaken by companies listed on local stock exchanges that has entered into a proposed disposal of similar assets/ business. It also reflects a reasonable estimate of multiple or premiums that others have paid for similar companies in the past.</p> <p>We have conducted our searches on precedent transactions for the past three (3) years from S&P Global Market Intelligence (“S&P Capital IQ”) as at the 9 May 2025 (“Date of Opinion”), the criteria that we have selected are (i) Industry classification: steel mesh wire, concrete wires and related products; and (ii) Geographical location: Malaysia.</p> <p>For information, S&P Capital IQ is a financial platform that provides comprehensive financial data, analytics and market intelligence, supporting informed decision-making strategy.</p> <p>As a result of the above, there was no transaction transacted of which SSM is involved in the manufacturing, sale and marketing of steel wire mesh, concrete wires and related products.</p> <p>Hence, we are of the view that CTA is not suitable in the determination of the fair market value of the entire equity interest in SSM.</p>																								



5a. RNAV

RNAV is a commonly adopted valuation methodology in approaching valuations of asset-based companies where all or a substantial portion of its assets are carried at its historical costs. RNAV takes into consideration any surplus and/or deficit arising from the revaluation of the material assets of a company to reflect their current market values, based on the assumption that the market values of the assets are realisable on a “willing-buyer willing-seller” basis in the open market. It is computed in the following manner:-

RNAV = NA or Net Liabilities value - contingent liabilities + fair value adjustment of its assets.

RNAV analysis assumes, among other things, the existence of ready and committed buyers for each asset at the fully revalued basis, and that the sale can be conducted efficiently without any time constraint and without regard to other relevant market factors that may affect the sale process. In adopting the RNAV methodology, we have taken into consideration the surplus of the SSM Properties, after adjusting for deferred tax liabilities of the material properties of SSM.

In order to arrive at the RNAV of SSM, the Company had appointed the Independent Valuer to opine on the market value of the SSM Properties. We note that the Valuation Reports were prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia. We have reviewed the qualifications of the Independent Valuer, scope of engagement, methodologies and assumptions adopted as well as the resultant valuations.

We have made all reasonable enquiries and conducted our own reviews, where possible, with regard to the Valuation Reports provided to us, and are satisfied that the methodologies and assumptions provide a reasonable basis for the Independent Valuer in arriving at their valuations. The non-interested shareholders are advised to read our commentaries below and refer to the Valuation Certificate enclosed in **Appendix VI** of the Circular.

Set out below are the details of SSM’s land and buildings as at 31 December 2024:-

Description	Location	Date of acquisition	Tenure	Land area (square feet (“sq.ft”))	NBV (RM’000)
Factory	2482 & 2489, Lorong Perusahaan 12, Kawasan Perusahaan Perai, 13600 Perai, Pulau Pinang (“Penang Property”)	1 August 2000 and 11 August 2000	Leasehold land expiring on 23 January 2045 and 13 May 2043	Approximately 166,648.25	9,533
Factory	Lot 69501, Batu 5 ½, Jalan Kapar, 42100, Klang, Selangor Darul Ehsan (“Kapar Property”)	3 February 1981	Freehold land	Approximately 335,621.52	41,008
Factory	Lot 77A, Kawasan Perindustrian Gebeng, Jalan Gebeng 1/6, 26080 Kuantan, Pahang Darul Makmur (“Kuantan Property”)	5 July 2010	Leasehold land expiring on 5 February 2052	Approximately 435,604.01	5,963
Others					153
				Total	56,657

Based on the above, the SSM Properties attributed to approximately 99.7% of the NBV of the land and buildings owned by SSM as at 31 December 2024.



In arriving at the RNAV of SSM, the following assumptions have been made in respect of SSM and the SSM Properties:-

- (i) SSM will continue to operate as going concern;
- (ii) SSM Properties are in good condition;
- (iii) There are existence of ready and committed buyers for each of the SSM Properties at their fully revalued basis and that the sale can be conducted efficiently without any timing constraints and other relevant market factors which may affect the sale process;
- (iv) All required licences, certificates of occupancy, legislative or administrative consent or approval from relevant authorities and the government have been or can be obtained for use on which the market value is based on; and
- (v) There will be no material changes in overall global economic conditions, accounting policies and regulatory requirements, i.e. Malaysia's statutory tax rate.

Besides the SSM Properties, the remaining assets of SSM comprises mainly inventories and trade receivables of approximately 25.4% and 21.3% of the total assets respectively as at 31 December 2024 which are reasonable and approximate their fair values.

5a1 Independent Valuation Reports

Penang Property

The brief description of the market value of the Penang Property as extracted from the valuation report for the Penang Property are tabulated below:-

Type of property/ property address	Type of property	Unit No	Property address
	One single storey detached factory ("Factory A") with double storey office ("Office A")	2489	
	One single storey detached factory ("Factory B") with double storey office ("Office B") and one single storey detached factory ("Factory C")	2482	Lorong Perusahaan 12, Kawasan Perusahaan Perai, 13600 Perai, Pulau Pinang
	Other ancillary buildings (one (1) guard house and two (2) Tenaga Nasional Berhad ("TNB") substations and one (1) pump room.		

Legal Description Title Nos HS(D) 31359, Lot No PT 1466 and HS(D) 41665, Lot No PT 1407, Mukim 01, District of Seberang Perai Tengah, Pulau Pinang.

Valuation methodologies	Description	Primary Method	Secondary Method
	Valuation methodology	Cost approach	Income approach - Investment method
	Value (RM)	11,500,000	11,000,000

Valuation date 28 February 2025



The description of the methodologies adopted by the Independent Valuer are as follows:-

Valuation methodology	General description
Cost approach	<p>The cost approach of valuation seeks to determine the value of the property through the summation of the value components of the land, building and fixtures (machinery).</p> <p>In determining the value of the land, the analysed apportionment value attributable to the land is adopted using comparison approach whereby it seeks to determine the value of the land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Where dissimilarities exist, adjustments are made.</p> <p>In determining the value of the buildings, current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and the existing physical condition of the buildings.</p> <p>The depreciated replacement cost will reflect the remaining portion of the useful economic working life and it is expressed on the basis that the assets are considered valuable to the business that would ensure their continued use in the foreseeable future, subject to adequate profitability.</p>
Income approach	<p>In the income approach by way of investment method, the market value is derived from an estimate of the market rental, which the Subject Property can reasonably be let for. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalised at an appropriate current market yield to arrive at its indicative market value.</p>

Cost approach

The following parameters were used by the Independent Valuer to arrive at the market value:-

Land area

The table below contains Independent Valuer's analysis of the comparable evidence:-

Description	Comparable 1	Comparable 2	Comparable 3
Address	2413, Lorong Perusahaan 10, Kawasan Perusahaan Perai, Pulau Pinang	2496, Lorong Perusahaan Baru 2, Kawasan Perusahaan Perai, Pulau Pinang	2528, Lorong Perusahaan 6, Kawasan Perusahaan Perai, Pulau Pinang
Distance from Penang Property	Approximately 1.40 km north-west	Approximately 3.50 km north-west	Approximately 5.60 km north-west
Description	Single storey detached factory cum single storey office building	Single storey detached factory cum single storey office building	Single storey detached factory cum double storey office building
Land area	119,660.30 sq.ft	188,386.97 sq.ft	118,091.09 sq.ft
Category of land use	Industrial	Industrial	Industrial
Zoning	Industrial	Industrial	Industrial
Tenure	Leasehold for 60 years expiring on 3 August 2036	Leasehold for 60 years expiring on 18 September 2049	Leasehold for 60 years expiring on 19 April 2049
Vendor	Rawak Sdn Bhd and Offshore Industries Sdn Bhd	Incline Dynamics Sdn Bhd	Not available

Description	Comparable 1	Comparable 2	Comparable 3
Purchaser	S3 Generation Sdn Bhd	NationGate System Sdn Bhd	Not available
Transaction date	3 April 2023	1 August 2023	24 October 2024
Consideration	RM8,700,000	RM23,800,000	RM19,733,332
Land per sq.ft	RM39.48	RM60.94	RM76.94
Source	Jabatan Penilaian Dan Perkhidmatan Harta (“JPPH”)	JPPH and Bursa Securities	JPPH
Total adjustment	30.00%	-15.00%	-15.00%
Adjusted value per sq.ft	RM53.89	RM54.39	RM65.40

The basis of the adjustments to derive the adjusted value from the analysis of the comparable is as follows:

Adjustment	Comparable 1	Comparable 2	Comparable 3
Location	0.00%	0.00%	0.00%
Size	0.00%	0.00%	0.00%
Shape	0.00%	0.00%	0.00%
Terrain	0.00%	0.00%	0.00%
Tenure	30.00%	-15.00%	-15.00%
Total adjustment	30.00%	-15.00%	-15.00%

For information purposes, adjustments will be made to the comparable asset under the following circumstances:-

- when the Penang Property and the comparable asset have similar circumstances, no adjustment is required;
- when the comparable asset is superior to the Penang Property, a negative adjustment is made; and
- when the comparable asset is inferior to the Penang Property, a positive adjustment is made.

We are of the view that the quantum of adjustments are fair as those are determined based on the Independent Valuer’s experience in conducting the valuation assessment of comparable properties, which are in line with the industry practice.

After making adjustments for the time and tenure factors to Comparables 1, 2 and 3, it is noted that the land price transactions were hovering between RM53.89 per sq.ft and RM65.40 per sq.ft. Taking into consideration of the differences between the Penang Property and the comparables, the Independent Valuer has placed greater emphasis on Comparable 2 due to the following reasons:-

- The median adjusted price per sq.ft;
- One of the least net adjustments made between the comparables; and
- The land area is most similar to the Penang Property compared to the other comparables.

Based on the above, the Independent Valuer has adopted the rate of RM54.00 per sq.ft for the industrial land and shall translate to RM8,999,005.

Building

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made depending on the physical, functional and economical obsolescence. The breakdown of construction costs from various sources are shown below for easy reference.

	Construction costing range	
	Minimum (RM per sq.ft)	Maximum (RM per sq.ft)
Heavy duty flatted factories and warehouses	184.88	228.08
Average standard offices, high rise	231.33	271.27

(Source: JUBM Group Construction Cost Handbook 2024 - Penang)

	Construction costing range	
	Minimum (RM per sq.ft)	Maximum (RM per sq.ft)
Light duty factories	147.71	194.17
Warehouses	176.51	247.12
3-storey offices, owner operated	152.36	300.07

(Source: Building Cost Information Services Malaysia (“BCISM”) Costbook 2024)

The Independent Valuer has adopted the following construction cost for the building:-

Buildings	Construction cost adopted
Open sided factory - Factory A	RM130.00 per sq.ft
Partially enclosed factories - Factory B; and - Factory C	RM135.00 per sq.ft
Double storey office buildings - Office A; and - Office B	RM150.00 per sq.ft
Other ancillary buildings	RM75.00 per sq.ft

The valuation analysis and pertinent factors taken into consideration under the Cost Approach to determine the market value of the Penang Property are as follows:-

- (i) The construction cost used by the Independent Valuer are derived from JUBM Group Construction Cost Handbook 2024 and the BCISM Costbook 2024, including a 10% allowance for preliminaries. The construction cost adopted fall within the range specified in these handbooks;
- (ii) The total depreciation rate is 80% for Factory A and Office A (which is estimated to be approximately 40 years) whilst 76% for Factory B and Office B, Factory C and other ancillary buildings as the estimated age of these buildings are approximately 38 years. The adopted depreciation rate is based on the average lifespan for buildings is 50 years which is approximately 2% per annum;
- (iii) The two (2) TNB substations are for the sole use of the Penang Property and not for the entire industrial zone. As such, the Independent Valuer has considered the TNB substations as part and parcel of the Penang Property and has included the building cost in arriving at the market value of the Penang Property; and
- (iv) The Penang Property are leasehold and require State Authority's approvals for the lands to be transferred, charged, leased etc. This is common for most leasehold properties in Malaysia and therefore we do not foresee this feature as a hindrance to this transaction. Nevertheless, the Independent Valuer has taken this factor into consideration and made a downward adjustment against the freehold comparables in arriving at the market value of the Penang Property.

Based on the above, the market value of the subject building derived from the cost approach was approximately RM2,544,120. Hence the total market value of the Penang Property based on the cost approach is approximately RM11,543,125 or ~ RM11,500,000, which are summarised as follows:-

Description		Amount (RM)
1. Land value	A	8,999,005
2. Factories and office building value		
Total construction cost		11,122,500
Less: Depreciation @ 80% and 76%		(8,578,380)
Total Building value	B	2,544,120
Total value (A) + (B)		11,543,125
Say		11,500,000

Income approach - investment method

The key bases and assumptions adopted by the Independent Valuer based on the income approach and our commentaries are as follows:-

Details	Justification																				
<u>Gross monthly rental</u> Factories and office buildings: RM1.60 per sq.ft	<p>We are of the view that this assumption is reasonable as it can be supported by the competitive rental rate.</p> <p>We note that the Independent Valuer has adopted the recent asking rental for detached factories which are pertinent to substantiate a value indication for the Penang Property are reviewed and these asking rentals are listed as follows:-</p> <table border="1"> <thead> <tr> <th>Address</th> <th>Gross floor area</th> <th>Asking rental (RM/month)</th> <th>Asking rental rate (RM/sq.ft)</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Rental 1 Kawasan Perusahaan Perai, Pulau Pinang</td> <td>155,000 sq.ft</td> <td>300,000</td> <td>1.94/sq.ft</td> <td>January 2025</td> </tr> <tr> <td>Rental 2 Kawasan Perusahaan Perai, Pulau Pinang</td> <td>60,639 sq.ft</td> <td>139,469</td> <td>2.30/sq.ft</td> <td>January 2025</td> </tr> <tr> <td>Rental 3 Kawasan Perusahaan Perai, Pulau Pinang</td> <td>78,000 sq.ft</td> <td>124,800</td> <td>1.60/sq.ft</td> <td>February 2025</td> </tr> </tbody> </table> <p>(Source: Valuation Reports)</p> <p>The Independent Valuer has also taken into consideration each aspect of the comparables in terms of size, building condition and asking price discounts. Adjustments were made to reflect the difference for the abovementioned factors to arrive at the adjusted asking rental between RM1.57 per sq.ft to RM2.07 per sq.ft. The total adjustment between the comparables ranges from -19.00% to 0.00%.</p>	Address	Gross floor area	Asking rental (RM/month)	Asking rental rate (RM/sq.ft)	Date	Rental 1 Kawasan Perusahaan Perai, Pulau Pinang	155,000 sq.ft	300,000	1.94/sq.ft	January 2025	Rental 2 Kawasan Perusahaan Perai, Pulau Pinang	60,639 sq.ft	139,469	2.30/sq.ft	January 2025	Rental 3 Kawasan Perusahaan Perai, Pulau Pinang	78,000 sq.ft	124,800	1.60/sq.ft	February 2025
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Rental 1 Kawasan Perusahaan Perai, Pulau Pinang	155,000 sq.ft	300,000	1.94/sq.ft	January 2025																	
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Details	Justification																												
	<p>The Independent Valuer placed greater emphasis on Rental 3 because Rental 3 is the median adjusted price per sq.ft and the least net adjustment made between the comparables.</p>																												
Void @ 5%	<p>A void allowance is provided to reflect vacancy periods between rent review which include the rent free and fitting out period.</p> <p>We note that the industry standards reveal that it takes about two (2) months to rent out an industrial property in Penang for a tenancy period of three (3) years on average. Hence, the void period would be two (2) months over 36 months which translate to 5.55%.</p> <p>Hence, we are of the view that the long-term void allowance of 5% adopted by the Independent Valuer is reasonable.</p>																												
Outgoings	<p>The outgoings adopted by the Independent Valuer are from analysing the annual expenditure for quit rent, assessment, fire insurance premiums and maintenance cost provided by SSM.</p> <table border="1" data-bbox="738 1028 1303 1174"> <thead> <tr> <th data-bbox="738 1028 1076 1062">Component</th><th data-bbox="1076 1028 1303 1062">Cost (RM)</th></tr> </thead> <tbody> <tr> <td data-bbox="738 1062 1076 1091">Quit rent per annum</td><td data-bbox="1076 1062 1303 1091">17,568</td></tr> <tr> <td data-bbox="738 1091 1076 1123">Fire insurance per annum</td><td data-bbox="1076 1091 1303 1123">75,087</td></tr> <tr> <td data-bbox="738 1123 1076 1152">Assessment per annum</td><td data-bbox="1076 1123 1303 1152">60,418</td></tr> <tr> <td data-bbox="738 1152 1076 1181">Maintenance cost per annum</td><td data-bbox="1076 1152 1303 1181">30,000</td></tr> <tr> <td data-bbox="738 1181 1076 1210">Total</td><td data-bbox="1076 1181 1303 1210">183,073</td></tr> </tbody> </table> <p>We are of the view that the basis for the outgoings adopted by the Independent Valuer is reasonable.</p>	Component	Cost (RM)	Quit rent per annum	17,568	Fire insurance per annum	75,087	Assessment per annum	60,418	Maintenance cost per annum	30,000	Total	183,073																
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Total	183,073																												
Yield @ 7.00%	<p>In arriving at the yield rate, the Independent Valuer has analysed the net yield of the industrial factories that transacted in the surrounding area in year 2023 and 2024, which ranged from 5.99% to 7.97% with an average net yield of about 7.02% as shown in the table below. This yield was derived by analysing the existing transactions from the surrounding areas which were obtained from JPPH.</p> <table border="1" data-bbox="738 1551 1303 1969"> <thead> <tr> <th data-bbox="738 1551 917 1720">Surrounding yield analysis</th><th data-bbox="917 1551 1076 1720">2588, Lorong Perusahaan Baru 2B, Kawasan Perusahaan Perai, Pulau Pinang.</th><th data-bbox="1076 1551 1235 1720">2496, Lorong Perusahaan Baru 2, Kawasan Perusahaan Perai, Pulau Pinang.</th><th data-bbox="1235 1551 1303 1720">2528, Lorong Perusahaan Baru 6, Kawasan Perusahaan Perai, Pulau Pinang.</th></tr> </thead> <tbody> <tr> <td data-bbox="738 1720 917 1787">Estimated net annual rental (RM)</td><td data-bbox="917 1720 1076 1787">915,840</td><td data-bbox="1076 1720 1235 1787">1,689,532</td><td data-bbox="1235 1720 1303 1787">1,572,480</td></tr> <tr> <td data-bbox="738 1787 917 1855">Transacted price (RM)</td><td data-bbox="917 1787 1076 1855">15,300,000</td><td data-bbox="1076 1787 1235 1855">23,800,000</td><td data-bbox="1235 1787 1303 1855">19,733,332</td></tr> <tr> <td data-bbox="738 1855 917 1922">Date of transaction</td><td data-bbox="917 1855 1076 1922">14 November 2023</td><td data-bbox="1076 1855 1235 1922">1 August 2023</td><td data-bbox="1235 1855 1303 1922">24 October 2024</td></tr> <tr> <td data-bbox="738 1922 917 1969">Net yield (%)</td><td data-bbox="917 1922 1076 1969">5.99</td><td data-bbox="1076 1922 1235 1969">7.10</td><td data-bbox="1235 1922 1303 1969">7.97</td></tr> <tr> <td data-bbox="738 1969 917 2001">Average (%)</td><td data-bbox="917 1969 1076 2001"></td><td data-bbox="1076 1969 1235 2001">7.02</td><td data-bbox="1235 1969 1303 2001"></td></tr> <tr> <td data-bbox="738 2001 917 2032">Adopted (%)</td><td data-bbox="917 2001 1076 2032"></td><td data-bbox="1076 2001 1235 2032">7.00</td><td data-bbox="1235 2001 1303 2032"></td></tr> </tbody> </table>	Surrounding yield analysis	2588, Lorong Perusahaan Baru 2B, Kawasan Perusahaan Perai, Pulau Pinang.	2496, Lorong Perusahaan Baru 2, Kawasan Perusahaan Perai, Pulau Pinang.	2528, Lorong Perusahaan Baru 6, Kawasan Perusahaan Perai, Pulau Pinang.	Estimated net annual rental (RM)	915,840	1,689,532	1,572,480	Transacted price (RM)	15,300,000	23,800,000	19,733,332	Date of transaction	14 November 2023	1 August 2023	24 October 2024	Net yield (%)	5.99	7.10	7.97	Average (%)		7.02		Adopted (%)		7.00	
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Adopted (%)		7.00																											

Details	Justification
	Premised on the above, we are of the view that the yields adopted by the Independent Valuer are reasonable.

Based on the above, the market value of the Penang Property using the income approach is RM11,000,000.

We concurred with the Independent Valuer that the Cost Approach is the most suitable valuation method in this instance because it is more of a reflection of the brick-and-mortar value and the Penang Property is purposely built for a specific industry. On the hind sight, the Income Approach by way of “Investment Method” is only suitable as cross-check to the Cost Approach due to the dearth of actual data of rental or lease of factory in Perai, Pulau Pinang to establish a more accurate rental rate and yield. In addition, the rental yields in the area are volatile and hence difficult to establish a consistent pattern of values as most of the industrial properties in the surrounding area are mostly owner occupiers.

Kapar Property

The brief description of the market value of the Kapar Property as extracted from the valuation report for the Kapar Property are tabulated below:-

Type of property/ property address	Type of property	Property address
	<ul style="list-style-type: none"> - Three (3) single storey detached factory buildings (“Factory 1”, “Factory 2” and “Factory 3” respectively); - One (1) four storey building detached to Factory 1 (“Office”); - One (1) double storey engineering and maintenance block (“E&M Block”) annexed to Factory 2; - Two (2) guard houses; - One (1) TNB substation; and - One (1) refuse chamber 	Lot 69501, Batu 5 ^{1/2} , Jalan Kapar, 42100, Klang, Selangor Darul Ehsan

Legal Description Title No Geran Mukim 18814, Lot No 69501, Tempat of Batu 5^{1/2}, Kapar, Mukim of Kapar, Klang, Selangor.

Valuation methodologies	Description	Primary Method	Secondary Method
	Valuation methodology	Cost approach	Income approach - Investment method
	Value (RM)	48,000,000	49,000,000

Valuation date 4 March 2025

Cost approach

The following parameters were used by the Independent Valuer to arrive at the market value:-

Land area

The table below contains Independent Valuer's analysis of the comparable evidence:-

Description	Comparable 1	Comparable 2	Comparable 3
Address	Lot 4953, Jalan Teratai, Off Jalan Bunga Raya, Klang, Selangor Darul Ehsan	Lot 6495, Lorong Abd Manan, Phuar Teck Seng Industrial Park, Klang, Selangor Darul Ehsan	PT 87824, PL 6102, Jalan Abdul Manan/ Jalan Haji Salleh, Klang, Selangor Darul Ehsan
Distance from Kapar Property	Approximately 11km north-east	Approximately 5km north	Approximately 8km north-east
Description	Vacant industrial land	Vacant industrial land	Vacant industrial land
Land area	130,684.51 sq.ft	444,583.12 sq.ft	135,280.69 sq.ft
Category of land use	Industrial	Industrial	Industrial
Zoning	Industrial	Industrial	Industrial
Tenure	Grant in perpetuity	Grant in perpetuity	Grant in perpetuity
Vendor	Not available	Top Glove Sdn Bhd	Uptown Promenade Sdn Bhd
Purchaser	Not available	HML Development Sdn Bhd	Tan Jian Jong
Transaction date	19 August 2024	17 November 2023	18 March 2024
Consideration	RM12,415,075	RM40,485,520	RM12,300,000
Land per sq.ft	RM95.00	RM91.06	RM90.92
Source	JPPH	JPPH	JPPH
Total adjustment	5.00%	10.00%	5.00%
Adjusted value per sq.ft	RM99.75	RM105.18	RM95.47

The basis of the adjustments to derive the adjusted value from the analysis of the comparable is as follows:

Adjustment	Comparable 1	Comparable 2	Comparable 3
Location	0.00%	0.00%	0.00%
Size	-5.00%	0.00%	-5.00%
Shape	0.00%	0.00%	0.00%
Terrain	0.00%	0.00%	0.00%
Improvement	10.00%	10.00%	10.00%
Tenure	0.00%	0.00%	0.00%
Total adjustment	5.00%	10.00%	5.00%

For information purposes, adjustments will be made to the comparable asset under the following circumstances:-

- when the Kapar Property and the comparable asset have similar circumstances, no adjustment is required;
- when the comparable asset is superior to the Kapar Property, a negative adjustment is made; and
- when the comparable asset is inferior to the Kapar Property, a positive adjustment is made.

We are of the view that the quantum of adjustments are fair as those are determined based on the Independent Valuer's experience in conducting the valuation assessment of comparable properties, which are in line with the industry practice.



After making adjustments for the time, size and improvement factors to Comparables 1, 2 and 3, it is noted that the land price transaction were hovering between RM95.47 per sq.ft and RM105.18 per sq.ft. Taking into consideration of the differences between the Kapar Property and the comparables, the Independent Valuer has placed greater emphasis on Comparable 2 due to the following reasons:-

- a) It is located closest to the Kapar Property among the comparables; and
- b) The land area is most similar in size to the Kapar Property compared to the other comparables.

Based on the above, the Independent Valuer has adopted the rate of RM105.00 per sq.ft for the industrial land and shall translate to RM35,240,260.

Building

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made depending on the physical, functional and economical obsolescence. The breakdown of construction costs from various sources are shown below for easy reference.

	Construction costing range	
	Minimum (RM per sq.ft)	Maximum (RM per sq.ft)
Heavy duty flatted factories and warehouses	183.95	217.39
Average standard offices, high rise	255.02	337.24

(Source: JUBM Group Construction Cost Handbook 2024 - Kuala Lumpur)

	Construction costing range	
	Minimum (RM per sq.ft)	Maximum (RM per sq.ft)
Light duty factories	147.71	194.17
Warehouses	176.51	247.12
3-storey offices, owner operated	152.36	300.07

(Source: BCISM Costbook 2024)

The Independent Valuer has adopted the following construction cost for the building:-

Buildings	Construction cost adopted	
	Main floor area	Ancillary floor area
Factory 1, Factory 2 and Factory 3	RM130.00 per sq.ft	RM65.00 per sq.ft
Office	RM150.00 per sq.ft	-
E&M Block	RM150.00 per sq.ft	-
Guard houses	RM75.00 per sq.ft	-
Refuse chamber	RM75.00 per sq.ft	-
TNB substation	RM75.00 per sq.ft	-

The valuation analysis and pertinent factors taken into consideration under the Cost Approach to determine the market value of the Kapar Property are as follows:-

- (i) The construction cost used by the Independent Valuer are derived from JUBM Group Construction Cost Handbook 2024 and the BCISM Costbook 2024, including a 10% allowance for preliminaries. The construction cost adopted fall within the range specified in these handbooks;
- (ii) The depreciation rate adopted for Factory 1 is 46%, Factory 2 is 76%, Factory 3, Office and guard houses is 62%, E&M Block is 42%, refuse chamber and TNB substation are 30% and 66% respectively. The adopted depreciation rate is based on the average lifespan for buildings is 50 years which is approximately 2% per annum; and

(iii) The leased land to TNB is small in sizes and non-revenue generating in nature and has no material impact (0.42% of the total market value) to the overall market value of Kapar Property.

Based on the above, the market value of the subject building derived from the cost approach was approximately RM13,103,549.54. Hence the total market value of the Kapar Property based on the cost approach is approximately RM48,343,809 or ≈ RM48,000,000, which is summarised as follows:-

Description		Amount (RM)
1. Land value	A	35,240,260
2. Factories and buildings		
Total construction cost		33,899,433
Less: Depreciation		20,795,884
Total Building value	B	13,103,549
Total value (A) + (B)		48,343,809
Say		48,000,000

Income approach - investment method

The key bases and assumptions adopted by the Independent Valuer based on the income approach and our commentaries are as follows:-

Details	Justification																				
<u>Gross monthly rental</u> Factories and office buildings: RM0.97 per sq.ft	<p>We are of the view that this assumption is reasonable as it can be supported by the competitive rental rate.</p> <p>We note that the Independent Valuer has adopted the recent asking rental for detached factories which are pertinent to substantiate a value indication for the Kapar Property are reviewed and these asking rentals are listed as follows:-</p> <table border="1"> <thead> <tr> <th>Address</th> <th>Gross floor area</th> <th>Asking rental (RM/month)</th> <th>Asking rental rate (RM/month)</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Rental 1 No. 3344, Jalan Keretapi Lama, Batu 7, Kampung Perepat, 42200 Kapar, Selangor Darul Ehsan</td> <td>57,400 sq.ft</td> <td>58,000</td> <td>1.01/sq.ft</td> <td>January 2023</td> </tr> <tr> <td>Rental 2 Lot 833, Jalan Haji Sirat, Kampung Batu Belah, 42100 Klang, Selangor Darul Ehsan</td> <td>125,991 sq.ft</td> <td>176,667</td> <td>1.40/sq.ft</td> <td>December 2023</td> </tr> <tr> <td>Rental 3 Lot 6516 & 6517, Lorong Haji Abd Manan Batu 5^{3/4}, 42100 Klang, Selangor Darul Ehsan</td> <td>107,671 sq.ft</td> <td>158,665</td> <td>1.47/sq.ft</td> <td>June 2024</td> </tr> </tbody> </table> <p>(Source: Valuation Reports)</p>	Address	Gross floor area	Asking rental (RM/month)	Asking rental rate (RM/month)	Date	Rental 1 No. 3344, Jalan Keretapi Lama, Batu 7, Kampung Perepat, 42200 Kapar, Selangor Darul Ehsan	57,400 sq.ft	58,000	1.01/sq.ft	January 2023	Rental 2 Lot 833, Jalan Haji Sirat, Kampung Batu Belah, 42100 Klang, Selangor Darul Ehsan	125,991 sq.ft	176,667	1.40/sq.ft	December 2023	Rental 3 Lot 6516 & 6517, Lorong Haji Abd Manan Batu 5 ^{3/4} , 42100 Klang, Selangor Darul Ehsan	107,671 sq.ft	158,665	1.47/sq.ft	June 2024
Address	Gross floor area	Asking rental (RM/month)	Asking rental rate (RM/month)	Date																	
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Details	Justification												
	<p>The Independent Valuer has also taken into consideration each aspect of the comparables in terms of location, size and building specification. Adjustments were made to reflect the difference for the abovementioned factors to arrive at the adjusted asking rental between RM0.97 per sq.ft to RM1.13 per sq.ft. The total adjustment between the comparables ranges from -4.00% to -23.00%. The Independent Valuer placed greater emphasis on Rental 1 because Rental 1 has the same characteristic to the Kapar Property which is an open sided factory with office annexed and the least net adjustment made between the comparables.</p>												
Void @ 5%	<p>A void allowance is provided to reflect vacancy periods between rent review which include the rent free and fitting out period.</p> <p>We note that the industry standards reveal that it takes about two (2) months to rent out an industrial property in Selangor for a tenancy period of three (3) years on average. Hence, the void period would be two (2) months over 36 months which translate to 5.55%.</p> <p>Hence, we are of the view that the long-term void allowance of 5% adopted by the Independent Valuer is reasonable.</p>												
Outgoings	<p>The outgoings adopted by the Independent Valuer are from analysing the annual expenditure for quit rent, assessment, fire insurance premiums and maintenance cost provided by SSM.</p> <table border="1" data-bbox="738 1320 1303 1462"> <thead> <tr> <th data-bbox="738 1320 1076 1349">Component</th><th data-bbox="1076 1320 1303 1349">Cost (RM)</th></tr> </thead> <tbody> <tr> <td data-bbox="738 1349 1076 1379">Quit rent per annum</td><td data-bbox="1076 1349 1303 1379">32,116</td></tr> <tr> <td data-bbox="738 1379 1076 1408">Assessment per annum</td><td data-bbox="1076 1379 1303 1408">115,992</td></tr> <tr> <td data-bbox="738 1408 1076 1437">Fire insurance per annum</td><td data-bbox="1076 1408 1303 1437">182,663</td></tr> <tr> <td data-bbox="738 1437 1076 1466">Maintenance cost per annum</td><td data-bbox="1076 1437 1303 1466">40,000</td></tr> <tr> <td data-bbox="738 1466 1076 1495">Total</td><td data-bbox="1076 1466 1303 1495">370,771</td></tr> </tbody> </table> <p>We are of the view that the basis for the outgoings adopted by the Independent Valuer is reasonable.</p>	Component	Cost (RM)	Quit rent per annum	32,116	Assessment per annum	115,992	Fire insurance per annum	182,663	Maintenance cost per annum	40,000	Total	370,771
Component	Cost (RM)												
Quit rent per annum	32,116												
Assessment per annum	115,992												
Fire insurance per annum	182,663												
Maintenance cost per annum	40,000												
Total	370,771												
Yield @ 5.00%	<p>In arriving at the yield rate, the Independent Valuer has analysed the net yield of the industrial factories that transacted in the surrounding area in year 2024 which ranged from 4.45% to 5.77% with an average net yield of about 5.01% as shown in the table below. This yield was derived by analysing the existing transactions from the surrounding areas which was obtained from JPPH.</p>												

Details		Justification		
	Surrounding yield analysis	No. 23, Jalan Bestari 1/KU7, Taman Perindustrian Kapar Bestari Kapar, Selangor Darul Ehsan	Lot 762, Jalan Haji Sirat, Off Jalan Meru, Klang, Selangor Darul Ehsan	No. 6, Jalan Wawasan 1/K47, Sungai Kapar Indah, Kapar, Selangor Darul Ehsan
	Estimated net annual rental (RM)	467,640	1,678,320	426,870
	Transacted price (RM)	8,100,000	35,000,000	9,600,000
	Date of transaction	18 July 2024	6 March 2024	6 November 2024
	Net yield (%)	5.77%	4.80%	4.45%
	Average (%)	5.01%		
	Adopted (%)	5.00%		
Premised on the above, we are of the view that the yield rates adopted by the Independent Valuer is reasonable.				

Based on the above, the market value of the Kapar Property using the income approach is RM49,000,000.

We concurred with the Independent Valuer that the Cost Approach is the most suitable valuation method in this instance because it is more of a reflection of the brick-and-mortar value and the Kapar Property is purposely built for a specific industry. On the hind sight, the Income Approach by way of “Investment Method” is only suitable as cross-check to the Cost Approach due to the dearth of transaction for an open-side facility in Kapar, Klang to establish a more accurate rental rate and yield. In addition, the rental yields in the area are volatile and hence difficult to establish a consistent pattern of values as most of the industrial properties in the surrounding area are mostly owner occupiers.

Kuantan Property

The brief description of the market value of the Kuantan Property as extracted from valuation report of the Kuantan Property are tabulated below:-

Type of property/ property address	Type of property	Property address
	<ul style="list-style-type: none"> - Three (3) single storey detached factory buildings (“Factory I”, “Factory II” and “Factory III” respectively); - One (1) double storey building detached to Factory I (“Office”); and - Other ancillary building i.e. canteen, pump house, schedule waste storage, engineering workshop, guard house and TNB substation 	Lot 77A, Kawasan Perindustrian Gebeng, Jalan Gebeng 1/6, 26080, Kuantan, Pahang Darul Makmur

Legal Description Title No. HS(D) 45 (Formerly known as HS(D) 7702), Lot No. PT 16403, Bandar Gebeng, Daerah Kecil Gebeng, Pahang.



Valuation methodologies	Description	Primary Method	Secondary Method
	Valuation methodology	Cost approach	Income approach - Investment method
	Value (RM)	12,100,000	11,500,000

Valuation date 27 February 2025

Cost approach

The following parameters were used by the Independent Valuer to arrive at the market value:-

Land area

The table below contains Independent Valuer's analysis of the comparable evidence:-

Description	Comparable 1	Comparable 2	Comparable 3
Address	PT 24993, Jalan Gebeng 2/13, Off Jalan Gebeng 2/1, Kuantan, Pahang Darul Makmur	Lot 110291 - Lot 110298, Lot 110300, Lot 110301, Kawasan Perindustrian Gebeng, Kuantan, Pahang Darul Makmur	Gebeng, KM32, Jalan Taman Kemaman, Kawasan Perindustrian Gebeng, Kunatan, Pahang Darul Makmur
Distance from Kuantan Property	Approximately 4.7km north-east	Approximately 9.3km north-east	Approximately 9.7km north-east
Description	Vacant industrial land	Vacant industrial land	Vacant industrial land
Land area	237,096 sq.ft	830,338 sq.ft	1,182,953 sq.ft
Category of land use	Industrial	Industrial	Industrial
Zoning	Industrial	Industrial	Industrial
Tenure	Leasehold for 99 years expiring on 16 June 2118	Leasehold for 66 years, expiring on 25 May 2065	Leasehold for 66 years, expiring on 22 May 2066
Vendor	FLT Machinery Sdn Bhd	Asas Panaroma Sdn Bhd	Asas Panaroma Sdn Bhd
Purchaser	-	MCKILP Development Sdn Bhd	Industrial Concrete Products Sdn Bhd
Transaction date	7 October 2024	19 December 2023	7 March 2023
Consideration	RM7,300,000	RM12,780,282	RM19,066,244
Land per sq.ft	RM30.79	RM15.39	RM16.12
Source	JPPH	JPPH	JPPH
Total adjustment	-32.00%	-3.00%	1.00%
Adjusted value per sq.ft	RM20.94	RM15.68	RM17.09

The basis of the adjustments to derive the adjusted value from the analysis of the comparable is as follows:

Adjustment	Comparable 1	Comparable 2	Comparable 3
Location	0.00%	0.00%	0.00%
Size	-5.00%	5.00%	10.00%
Shape	0.00%	0.00%	0.00%
Terrain	0.00%	0.00%	0.00%
Improvement	10.00%	10.00%	10.00%
Tenure	-37.00%	-18.00%	-19.00%
Total adjustments	-32.00%	-3.00%	1.00%

For information purposes, adjustments will be made to the comparable asset under the following circumstances:-

- when the Kuantan Property and the comparable asset have similar circumstances, no adjustment is required;
- when the comparable asset is superior to the Kuantan Property, a negative adjustment is made; and

- c) when the comparable asset is inferior to the Kuantan Property, a positive adjustment is made.

We are of the view that the quantum of adjustments are fair as those are determined based on the Independent Valuer's experience in conducting the valuation assessment of comparable properties, which are in line with the industry practice.

After making adjustments for the time, size and tenure factors to Comparables 1, 2 and 3, it is noted that the land price transaction were hovering between RM15.68 per sq.ft and RM20.94 per sq.ft. Taking into consideration of the differences between the Kuantan Property and the comparables, the Independent Valuer has placed greater emphasis on Comparable 2 due to the following reasons:-

- a) One (1) of the comparable with least overall net adjustments made ; and
- b) Both of the Kuantan Property and Comparable 2 are located within Kawasan Perindustrian Gebeng which is in the same industrial scheme.

Based on the above, the Independent Valuer has adopted the rate of RM15.00 per sq.ft for the industrial land and shall translate to RM6,534,060.

Building

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made depending on the physical, functional and economical obsolescence. The breakdown of construction costs from various sources are shown below for easy reference.

	Construction costing range	
	Minimum (RM per sq.ft)	Maximum (RM per sq.ft)
Light duty flatted factories	144.93	189.06
Single storey conventional factory of structural steel work	135.17	194.17

(Source: JUBM Group Construction Cost Handbook 2024 - Pahang)

	Construction costing range	
	Minimum (RM per sq.ft)	Maximum (RM per sq.ft)
Light duty factories	147.71	194.17
3-storey offices, owner operated	152.36	300.07

(Source: BCISM Costbook 2024)

The Independent Valuer has adopted the following construction cost for the building:-

Buildings	Construction cost adopted	
	Main floor area	Ancillary floor area
Factory I, Factory II and Factory III	RM130.00 per sq.ft	RM65.00 per sq.ft
Office	RM150.00 per sq.ft	RM75.00 per sq.ft
Other ancillary buildings	RM75.00 per sq.ft	



The valuation analysis and pertinent factors taken into consideration under the Cost Approach to determine the market value of the Kuantan Property are as follows:-

- (i) The construction cost used by the Independent Valuer are derived from JUBM Group Construction Cost Handbook 2024 and the BCISM Costbook 2024, including a 10% allowance for preliminaries. The Independent Valuer has opted for a slightly lower-average cost for the building given that the Kuantan Property is constructed with lower-grade materials. Consequently, for the cost of the other ancillary buildings, the Independent Valuer has adopted a 50% discount to the cost of the main building, which is in line with the industry standards;
- (ii) The adopted depreciation rate is based on the average lifespan for buildings of 50 years, which is approximately 2% per annum. Given that the current age of the building is approximately 25 years, the total accumulated depreciation rate for the building is 50.00%. The Independent Valuer has then further adopted an additional deduction of approximately RM5.55 million repair cost due to the poor physical condition of the buildings, which falls within the cost range provided by the appointed quantity surveyor; and
- (iii) The value of the TNB substation has been included in the building cost in arriving at the market value as the said substation is for the sole use of the Kuantan Property.

Based on the above, the market value of the Kuantan Property derived from the cost approach is approximately RM5.55 million. Hence the total market value of the Kuantan Property based on the cost approach is approximately RM12,086,673 or ≈ RM12,100,000, which is summarised as follows:-

Description	Amount (RM)	
1. Land value	A	6,534,060
2. Factories and buildings		
Total construction cost		22,210,450
Less: Depreciation		(11,105,225)
Less: Repair costs		(5,552,612)
Total Building value	B	5,552,612
Total value (A) + (B)		12,086,672
Say		12,100,000

Income approach - investment method

The key bases and assumptions adopted by the Independent Valuer based on the income approach and our commentaries are as follows:-

Details	Justification										
<u>Gross monthly rental</u>	We are of the view that this assumption is reasonable as it can be supported by the competitive rental rate.										
Factories and office buildings: RM0.80 per sq.ft	We note that the Independent Valuer has adopted the recent asking rental for detached factories within the neighbourhood which are pertinent to substantiate a value indication for the Kuantan Property are reviewed and these asking rentals are listed as follows:-										
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Address</th> <th style="text-align: center;">Gross floor area</th> <th style="text-align: center;">Asking rental (RM/month)</th> <th style="text-align: center;">Asking rental rate (RM/sq.ft)</th> <th style="text-align: center;">Date</th> </tr> </thead> <tbody> <tr> <td>Rental 1 Semambu Industrial Park, 25350 Kuantan,</td> <td style="text-align: center;">103,440 sq.ft</td> <td style="text-align: center;">120,000</td> <td style="text-align: center;">1.16/sq.ft</td> <td style="text-align: center;">February 2025</td> </tr> </tbody> </table>	Address	Gross floor area	Asking rental (RM/month)	Asking rental rate (RM/sq.ft)	Date	Rental 1 Semambu Industrial Park, 25350 Kuantan,	103,440 sq.ft	120,000	1.16/sq.ft	February 2025
Address	Gross floor area	Asking rental (RM/month)	Asking rental rate (RM/sq.ft)	Date							
Rental 1 Semambu Industrial Park, 25350 Kuantan,	103,440 sq.ft	120,000	1.16/sq.ft	February 2025							

Details	Justification																
	Pahang Darul Makmur <u>Rental 2</u> Gebeng Industrial Park, 26100 Kuantan, Pahang Darul Makmur	50,000 sq.ft	60,000	1.20/sq.ft	February 2025												
	<u>Rental 3</u> Gebeng Kuantan, Kawasan Industri Gebeng, 26100 Balok, Pahang Darul Makmur	70,000 sq.ft	70,000	1.00/sq.ft	February 2025												
<i>(Source: Valuation Reports)</i>																	
	<p>The Independent Valuer has also taken into consideration each aspect of the comparables in terms of location, size and asking rental discount. Adjustments were made to reflect the difference for the abovementioned factors to arrive at the adjusted asking rental between RM0.79 per sq.ft to RM0.94 per sq.ft. The total adjustment between the comparables ranges from -22.00% to -21.00%.</p> <p>The Independent Valuer placed greater emphasis on Rental 3 because Rental 3 is one of the comparables with the least net adjustments made and within the same development scheme of the Kuantan Property.</p>																
Void @ 10%	<p>A void allowance is provided to reflect vacancy periods between rent review which include the rent free and fitting out period.</p> <p>We note that the industry standards reveal that it takes about four (4) months to rent out an industrial property in Kuantan for a tenancy period of three (3) years on average. Hence, the void period would be four (4) months over 36 months which translate to 11.11%.</p> <p>Hence, we are of the view that the long-term void allowance of 10% adopted by the Independent Valuer is reasonable.</p>																
Outgoings	<p>The outgoings adopted by the Independent Valuer are from analysing the annual expenditure for quit rent, assessment, fire insurance premiums and maintenance cost provided by SSM.</p> <table border="1" data-bbox="738 1740 1303 1888"> <thead> <tr> <th data-bbox="738 1740 1049 1769">Component</th><th data-bbox="1049 1740 1303 1769">Cost (RM)</th></tr> </thead> <tbody> <tr> <td data-bbox="738 1769 1049 1799">Quit rent per annum</td><td data-bbox="1049 1769 1303 1799">202,345</td></tr> <tr> <td data-bbox="738 1799 1049 1828">Assessment per annum</td><td data-bbox="1049 1799 1303 1828">21,236</td></tr> <tr> <td data-bbox="738 1828 1049 1857">Fire insurance per annum</td><td data-bbox="1049 1828 1303 1857">9,165</td></tr> <tr> <td data-bbox="738 1857 1049 1886">Maintenance cost per annum</td><td data-bbox="1049 1857 1303 1886">10,000</td></tr> <tr> <td data-bbox="738 1886 1049 1915">Total</td><td data-bbox="1049 1886 1303 1915">242,746</td></tr> </tbody> </table> <p>We are of the view that the basis for the outgoings adopted by the Independent Valuer is reasonable.</p>					Component	Cost (RM)	Quit rent per annum	202,345	Assessment per annum	21,236	Fire insurance per annum	9,165	Maintenance cost per annum	10,000	Total	242,746
Component	Cost (RM)																
Quit rent per annum	202,345																
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Fire insurance per annum	9,165																
Maintenance cost per annum	10,000																
Total	242,746																

Details	Justification																											
Yield @ 7.50%	<p>In arriving at the yield rate, the Independent Valuer has analysed the net yield of the industrial factories that transacted in the surrounding area from the year 2022 to 2024 which ranged from 5.67% to 10.11% with an average net yield of about 7.52% as shown in the table below. This yield was derived by analysing the existing transactions from the surrounding areas which was obtained from JPPH.</p> <table border="1" data-bbox="732 557 1303 961"> <tr> <td>Surrounding yield analysis</td> <td>Lot 125 (Lot 32981), Jalan Industri Semambu 8, Kuantan, Pahang Darul Makmur</td> <td>Kinsteel Berhad, Jalan Gebeng 1/2, Kuantan, Pahang Darul Makmur</td> <td>Lot 38&39 (8942&8948), Jalan Gebeng 1/8, Kuantan, Pahang Darul Makmur</td> </tr> <tr> <td>Estimated net annual rental (RM)</td> <td>51,041</td> <td>2,275,081</td> <td>290,023</td> </tr> <tr> <td>Transacted price (RM)</td> <td>900,000</td> <td>22,500,000</td> <td>4,275,000</td> </tr> <tr> <td>Net yield (%)</td> <td>5.67</td> <td>10.11</td> <td>6.78</td> </tr> <tr> <td>Average (%)</td> <td></td> <td>7.52</td> <td></td> </tr> <tr> <td>Adopted (%)</td> <td></td> <td>7.50</td> <td></td> </tr> </table> <p>Premised on the above, we are of the view that the yields adopted by the Independent Valuer are reasonable.</p>				Surrounding yield analysis	Lot 125 (Lot 32981), Jalan Industri Semambu 8, Kuantan, Pahang Darul Makmur	Kinsteel Berhad, Jalan Gebeng 1/2, Kuantan, Pahang Darul Makmur	Lot 38&39 (8942&8948), Jalan Gebeng 1/8, Kuantan, Pahang Darul Makmur	Estimated net annual rental (RM)	51,041	2,275,081	290,023	Transacted price (RM)	900,000	22,500,000	4,275,000	Net yield (%)	5.67	10.11	6.78	Average (%)		7.52		Adopted (%)		7.50	
Surrounding yield analysis	Lot 125 (Lot 32981), Jalan Industri Semambu 8, Kuantan, Pahang Darul Makmur	Kinsteel Berhad, Jalan Gebeng 1/2, Kuantan, Pahang Darul Makmur	Lot 38&39 (8942&8948), Jalan Gebeng 1/8, Kuantan, Pahang Darul Makmur																									
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Based on the above, the market value of the Kuantan Property using the income approach is RM11,500,000.

We concurred with the Independent Valuer that the Cost Approach is the most suitable valuation method in this instance because it is more of a reflection of the brick-and-mortar value and the Kuantan Property is purposely built for a specific industry. On the other hand, the Income Approach by way of “Investment Method” is only suitable as cross-check to the Cost Approach due to the dearth of actual data of rental or lease in Kuantan to establish a more accurate rental rate and yield. In addition, the rental yields in the area are volatile and hence difficult to establish a consistent pattern of values as most of the industrial and commercial properties in the surrounding area are mostly owner occupiers.

After considering the valuation of the SSM Properties as derived by the Independent Valuer, the estimated RNAV of SSM is as follows:-

Note	Amount (RM'000)
Unaudited NA of SSM as at 31 December 2024	105,624
Add: Estimated net revaluation surplus of the SSM Properties	(a) 15,096
Less: Deferred tax liabilities	(b) (3,449)
Less: Adjustment on deferred tax	(c) (6,280)
RNAV of SSM	110,991
Disposal Consideration	61,050
RNAV @ 55%	61,045
Difference	5
Premium (%)	0.01

Note (a)

No.	SSM Properties	Estimated market value (RM'000)	Unaudited NBV as at 31 December 2024 (RM'000)	Deferred tax (RM'000)	Net surplus (RM'000)
1.	Penang Property	11,500	9,533	(472)	1,967
2.	Kapar Property	48,000	41,008	(1,504)	6,992
3.	Kuantan Property	12,100	5,963	(1,473)	6,137
	Total	71,600	56,504	(3,449)	15,096

Note (b)

Adjusted for deferred tax at the statutory corporate tax rate in Malaysia (leasehold land and buildings: 24.0%; freehold land: 10.0%).

Note (c)

The adjustments on deferred tax were made after taking into consideration the uncertainty of the utilisation and recognition of unabsorbed tax losses that are subject to expiration, and the impending change in control and ownership to BRC under the Proposed Disposal.

As such, we are of the view that the Disposal Consideration is fair and reasonable despite a premium of RM4,914 or 0.01% to the value derived based on RNAV, using the fair market value of the SSM Properties as appraised by the Independent Valuer.

After considering the above and taking into account the opinion of the Board, we are of the opinion that the Disposal Consideration is fair, reasonable and not detrimental to the non-interested shareholders.

Notwithstanding the above, non-interested shareholders should note that the market price of the SSM Properties may be affected by various factors, including but not limited to, liquidity risk (i.e. the process of selling and buying property can be time consuming). The Independent Valuer's valuations do not account for the effort, time, marketability, buyer demand, uncertainty relating to a property sale and potential transaction costs that would be required to dispose of the assets and realise the intrinsic value of the SSM Properties.

5b. RVA

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA, reference was made to the valuation statistics of companies listed on Bursa Securities with principal activities that we consider broadly comparable to SSM ("Comparable Companies") to obtain an indication of the current market expectation with regard to the fair market value of the entire equity interest in SSM as at the Date of Opinion.

In selecting the Comparable Companies, we have considered, amongst others, the revenue contribution from the manufacturing and trading of fabricated steel products and market capitalisation of not more than RM200.00 million, on the basis that such companies are closer to the implied equity value of SSM (grossed up based on the Disposal Consideration) and have sufficient data points. Based on the above criteria, a total of three (3) comparable companies listed on Bursa Securities were selected, details of which are as follows:-

Comparable Companies	Principal activities
Choo Bee Metal Industries Berhad ("Choo Bee")	Manufactures and sells flat-based steel products in Malaysia and rest of Asia. It offers angles, pipes, beams, bars, channels, hollow sections, purlins, rails, plates, steel sheet piles, stainless steel products, and wire meshes. The company also fabricates steel products; and trades in hardware and construction materials, as well as provides processing services, such as shearing and slitting of steel products.



Comparable Companies	Principal activities
Leader Steel Holdings Berhad (“Leader Steel”)	Manufactures, processes, and trades in steel and metal products, and minerals in Malaysia, China, and internationally. The company offers hot and cold rolled steel products, including steel pipes and tubes, hollow sections, flat and angle bars, U and C channels, etc, as well as trolley tracks.
Tashin Holdings Berhad (“Tashin”)	Engages in processing, manufacturing, and sale of steel products in Malaysia. It offers slit coils, steel plates and sheets, steel pipes, flat and square bars, expanded metals, checkered plates, round and angle bars, wire mesh, and C purlins for use in the electronics and electrical, industrial stamping, automobiles, furniture, fabrications, and engineering industries.

One should also note that any comparisons made with respect to the Comparable Companies are merely to provide an indication to the fair market value of SSM and the selection of Comparable Companies and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

We have considered and applied the Price to Book (“PB”) Multiple as PB Multiple is calculated by dividing a company’s share price by its book value per share, which is defined as its total assets minus any liabilities, or NA of a company. For this instance, the adjusted NA derived using the RNAV methodology is being used in arriving at the fair market value of SSM.

We have also considered the Price to Earnings (“PE”) Multiple and the Enterprise Value (“EV”)/ Earnings before interest, taxation, depreciation and amortisation (“EBITDA”) Multiple in our assessment and have concluded that these valuation methodologies are not suitable in assessing the fair market value of SSM as there are insufficient data points to derive at a meaningful average or median of the PE Multiple and EV/EBITDA Multiple as there was only one (1) selected Comparable Companies as discussed above has PE Multiple and one (1) selected Comparable Companies as discussed above has EV/EBITDA Multiple.

The table below sets out the valuation statistics of the Comparable Companies based on the closing market prices as at the Date of Opinion as extracted from S&P Capital IQ:-

Comparable Companies	Market Capitalisation ^[1] (RM’ million)	PB Multiple ^{[2][3]} (times)
Choo Bee	107.85	0.18
Leader Steel	54.16	0.16
Tashin	82.01	0.30
Average		0.21
Median		0.18
Maximum		0.30
Minimum		0.16

Notes:

[1] Calculated based on number of ordinary shares multiplied by the closing share price as at the Date of Opinion.

[2] Calculated based on the closing share price as at the Date of Opinion divided by the tangible book value per share based on the respective latest audited financial results.

[3] The trading multiples of the Comparable Companies are perceived to be the value of a liquid minority stake as at the Date of Opinion. On the other hand, this evaluation involves the valuation of the controlling interest in a private company, hence it is perceived to be illiquid but having a control premium. As such, we are of the opinion that for the purpose of this evaluation, when the effect (if any) of the immediate-term illiquidity of the shares is considered in totality with the premium accorded for control, a net zero adjustment would be appropriate to reflect the implied equity value of SSM.



The implied PB Multiple of SSM based on the value derived from the RNAV methodology as at 31 December 2024 is as follows:-

	PB Multiple (times)
Equity value derived from RNAV methodology @ 55.0%	RM61.05 million
Implied ratio derived from the Disposal Consideration	1.00 times
Comparable Companies	
Average	0.21
Median	0.18
Maximum	0.30
Minimum	0.16

Based on the above analysis, it is noted that the implied PB Multiple based on the RNAV methodology of SSM as at 31 December 2024 is higher than the average, median and the range of PB Multiple of Comparable Companies.

Despite there are only one (1) Comparable Company having the PE Multiple and one (1) Comparable Company having the EV/EBITDA Multiple, we have also benchmarked the PE Multiple and EV/EBITDA Multiple of SSM against all companies listed on the Main Market of Bursa Securities that are in the industrial products and services sector and the metals sub-sector (“Broad Industry”). Based on the aforementioned criteria, there are a total of 38 companies fall under these criteria.

The purpose of the broad-based multiples discussed above is to reflect the general market expectations for the metal industry in Malaysia and also to act as a cross-check to the PE Multiple and EV/EBITDA Multiple of the comparable companies against industry expectations.

We note that these companies may not comprise the exact business activities as SSM or may not fit our criteria for screening and therefore may not form part of the Comparable Companies. As at the Date of Opinion, the results are as follows:-

- (i) PE Multiple for the companies in the Broad Industry ranges from 0.79 times to 126.87 times with the median and average at 10.97 times and 19.32 times respectively;
- (ii) EV/EBITDA Multiple for the companies in the Broad Industry ranges from 1.53 times to 49.42 times with the median and average at 8.02 times and 12.16 times respectively; and
- (iii) PB Multiple for the companies in the Broad Industry ranges from 0.12 times to 4.92 times with the median and average at 0.67 times and 0.43 times respectively.

The implied PE Multiple of SSM based on the Disposal Consideration is as follows:-

	Parameters
Disposal Consideration	RM61.05 million
Implied 100% equity value of SSM based on the Disposal Consideration (A)	RM111.00 million
SSM's PAT for the FYE 2024 (B)	RM4.72 million
SSM's historical average PAT from the FYE 2022 to FYE 2024 (C)	RM2.35 million
Implied PE Multiple computed based on:	
SSM's PAT (A)/(B)	23.52
SSM's historical average PAT from the FYE 2022 to FYE 2024 (C)	47.23
(A)/(C)	
PE Multiple of Broad Industry:	
Average	19.32



Parameters	
Median	10.97
Maximum	126.87
Minimum	0.79

Based on the above analysis, the following are noted:-

- (i) Implied PE Multiple based on SSM's PAT for the FYE 2024 is higher than the average and median but within the range of PE Multiple of Broad Industry; and
- (ii) Implied PE Multiple based on SSM's historical average PAT from the FYE 2022 to FYE 2024 is higher than the average and median but within the range of PE Multiple of Broad Industry.

The implied EV/EBITDA Multiple of SSM based on the Disposal Consideration is as follows:-

Parameters	
Disposal Consideration	RM61.05 million
Implied 100% equity value of SSM based on the Disposal Consideration (A)	RM111.00 million
Total borrowing as at 31 December 2024 (B)	RM26.14 million
Cash and cash equivalent as at 31 December 2024 (C)	RM15.50 million
EV (D) = (A) + (B) - (C)	RM121.64 million
SSM's EBITDA for the FYE 2024 (E)	RM9.24 million
SSM's historical average EBITDA from the FYE 2022 to FYE 2024 (F)	RM5.40 million
Implied EV/EBITDA Multiple computed based on:	
SSM's EBITDA (D)/(E)	13.16
SSM's historical average EBITDA from the FYE 2022 to FYE 2024 (D)/(F)	22.53
EV/EBITDA Multiple of Broad Industry:	
Average	12.16
Median	8.02
Maximum	49.42
Minimum	1.53

Based on the above analysis, the following are noted:-

- (i) Implied EV/EBITDA Multiple based on SSM's EBITDA for the FYE 2024 is higher than the average and median but within the range of EV/EBITDA Multiple of Broad Industry; and
- (ii) Implied PE Multiple based on SSM's historical average EBITDA from the FYE 2022 to FYE 2024 higher than the average and median but within the range of EV/EBITDA Multiple of Broad Industry.

In conclusion, after considering the above and taking into account the opinion of the Board, we are of the opinion that the Disposal Consideration is fair, reasonable and not detrimental to the non-interested shareholders of the Company.



5.2.2 Salient terms of the SPA

The salient terms of the SPA are as disclosed in Appendix I of the Circular. Non-interested shareholders are advised to read Appendix I of the Circular in its entirety.

Our comments on the salient terms of the SPA are as follows:-

1.	Salient terms	SCA Comments
	<p><u>Conditions Precedent</u></p> <p>The completion of the Proposed Disposal (“Closing”) is conditional upon satisfaction or waiver (as the case may be) of the following conditions precedent (“Conditions Precedent”) by or before 31 July 2025 or such other date as may be mutually agreed by SSB and BRC (collectively, the “Parties”) in accordance with the terms of the SPA (“Long Stop Date”) (“Unconditional Date”):-</p> <p>(i) the passing of an ordinary resolution of the shareholders of SSB at an EGM in respect of the Proposed Disposal;</p> <p>(ii) the non-occurrence of any material adverse change* in relation to the operations, businesses, properties and/or financial condition (including liabilities, assets and results) of SSM, that has caused or is reasonably likely to cause the net tangible asset value of SSM to decrease by more than 20% from that set forth in the unaudited management accounts of SSM drawn up to 31 December 2024 occurring on or before Closing;</p> <p>(iii) BRC having obtained either an assessment by SGX RegCo on BRC’s views on the application of Rule 908(2) of the Listing Manual vis-à-vis disaggregating transactions with SSB Group and Esteel Group as defined in the Listing Manual, or approval being obtained from the shareholders of BRC in a general meeting for the Proposed Disposal; and</p>	<p>This term is reasonable as the approval from the shareholders is required to be in compliance with the Listing Requirements.</p> <p>The Listing Requirements also require the Interested Directors to abstain and continue to abstain from all deliberations and voting for the Proposed Disposal at the relevant meetings. The Interested Shareholders and Persons Connected should also abstain from voting in respect of their direct and/ or indirect shareholding in the Company, if any, on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.</p> <p>This term is typically included in agreements - especially in mergers, acquisitions, financing or investment agreements and is used as a protective mechanism for BRC. It also allows the Parties to re-negotiate the Disposal Consideration or other deal terms if there is a deterioration in SSM’s net tangible asset as stated in its unaudited management accounts as at 31 December 2024.</p> <p>This term is reasonable as BRC is a public company listed on SGX-ST and is required to be in compliance with the Listing Manual.</p>

Salient terms		SCA Comments		
	<p>(iv) the Parties reaching agreement on the agreed form of the shareholders' agreement to be entered into between the Parties. As announced by the Company on 30 June 2025, the Company had, on even date, entered into the SHA with BRC and SSM in relation to the Proposed Disposal. Please refer to Appendix II of the Circular for the salient terms of the SHA.</p> <p><u>Note:</u></p> <p><i>* If there is a material adverse change affecting the operations, businesses, properties and/or financial condition (including liabilities, assets and results of SSM), that has resulted in or is reasonably expected to result in a decrease of more than 20% in the net tangible asset value of SSM compared to the amount stated in its unaudited management accounts as of 31 December 2024, the relevant condition precedent will not be satisfied unless it is waived by BRC and as a result thereof, there will be no downward adjustment to the Disposal Consideration. Further, in the event that such condition precedent is not satisfied or has been waived by BRC by the Long Stop Date, the SPA will automatically terminate and neither the Company nor BRC shall have any claim against the other, save for any claim arising from antecedent breaches of the SPA.</i></p>	<p>This term is reasonable as the Proposed Disposal involves the disposal of 55.0% equity stake in SSM to BRC. The purpose of the SHA is to outline rights, responsibilities and obligations of the shareholders of SSM post transaction. It acts as a legally binding contract that governs the relationship between shareholders and helps prevent or resolve disputes.</p>		
2.	<p><u>Closing</u></p> <p>Closing shall take place on (“Closing Date”):-</p> <p>(i) a date falling 5 business days after the Unconditional Date; or</p> <p>(ii) such other date as the Parties may mutually agree in accordance with the SPA.</p>	<p>This clause is reasonable as it safeguards the interest of the Parties by setting out the obligations of the Parties to achieve the Closing Date.</p> <p>It is common for the Parties to mutually agreed on other date for transaction of this nature.</p>		
3.	<p><u>Consideration</u></p> <p>(i) Subject to Section 3(ii) of Appendix I of the Circular, the Disposal Consideration shall be an amount in cash equal to RM61.05 million.</p> <p>(ii) If there is a Dividend Declared before Closing and provided the Dividend Declared has been or would be paid to SSB whether before or after Closing, the Disposal Consideration shall be revised to the following figure in RM:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Revised Disposal Consideration</td> <td style="padding: 5px; text-align: right;">55% multiplied by (RM111.00 million minus Dividend Declared)</td> </tr> </table>	Revised Disposal Consideration	55% multiplied by (RM111.00 million minus Dividend Declared)	<p>As set out in Section 5.2.1 of this IAL, we had evaluated and opined that the Disposal Consideration is fair and reasonable and it is not detrimental to the non-interested shareholders of the Company.</p> <p>This term is necessary to reflect the reduction in SSM's net worth due to the Dividend Declared before Closing. This adjustment ensures that BRC doesn't acquire SSM with diminished assets due to the Dividend Declared.</p>
Revised Disposal Consideration	55% multiplied by (RM111.00 million minus Dividend Declared)			
4.	<p><u>Payment</u></p> <p>On the Closing Date, BRC shall pay the Disposal Consideration to SSB.</p> <p>If BRC does not pay the Disposal Consideration when due under the SPA, SSB shall, subject to the terms of the SPA, be entitled to elect to:-</p> <p>(i) claim for specific performance against BRC of its obligations under the SPA; or</p> <p>(ii) terminate the SPA (other than the surviving provisions under the SPA) without liability on the part of SSB; or</p>	<p>These clauses are reasonable and common for transactions of this nature as they safeguard the interest of the Company in the event BRC defaults / breaches its payment obligation pursuant to the SPA.</p>		



Salient terms		SCA Comments
	<p>(iii) fix a new Closing Date.</p> <p>If SSB does not deliver the required documents in accordance with the SPA, BRC shall, subject to the terms of the SPA, be entitled to elect to:-</p> <ul style="list-style-type: none"> (i) claim for specific performance against SSB of its obligations under the SPA; or (ii) terminate the SPA (other than the surviving provisions under the SPA) without liability on the part of BRC; or (iii) fix a new Closing Date. 	
5.	<p><u>Termination Rights</u></p> <p>The SPA may be terminated (other than the surviving provisions under the SPA) at any time prior to Completion:-</p> <ul style="list-style-type: none"> (i) by mutual written agreement of the Parties; (ii) if the Conditions Precedent have not been fulfilled or waived in accordance with the SPA; (iii) by the Company pursuant to the following:- <ul style="list-style-type: none"> (a) Section 4 of Appendix I of the Circular; or (b) a breach of the fundamental warranties and representations given by BRC as set out in the SPA; or (iv) by BRC pursuant to the following:- <ul style="list-style-type: none"> (a) Section 4 of Appendix I of the Circular; or (b) a breach of the fundamental warranties and representations given by the Company as set out in the SPA. 	<p>These terms are reasonable to enable the non-defaulting party to take the appropriate actions to protect its interest pursuant to the SPA.</p>

Premised on the above, we are of the view that the abovementioned salient terms of the SPA are fair and reasonable and not detrimental to the non-interested shareholders.

5.2.3 Salient terms of the SHA

The salient terms of the SHA are as disclosed in Appendix II of the Circular. Non-interested shareholders are advised to read Appendix II of the Circular in its entirety.

Our comments on the salient terms of the SHA are as follows:-

Salient terms		SCA Comments
1.	<p><u>Effective Date</u></p> <p>The SHA is conditional upon the occurrence of the Closing and shall take effect immediately after the Closing (such date, the "Effective Date").</p>	<p>This clause is reasonable in such agreement as it refers to the date on which the SHA become legally binding and enforceable. It is a standard clause used in contracts and can be critical to determining rights, obligations and deadlines.</p>

Salient terms		SCA Comments								
2.	<p><u>Shareholding</u></p> <p>On the Effective Date, the proportion of the total number of SSM Shares held by each shareholder of SSM, relative to the total number of SSM Shares issued and outstanding in the capital of SSM ("Shareholding Proportion") shall be as set out below:-</p> <table border="1"> <thead> <tr> <th>Shareholders</th><th>Shareholding Proportion</th></tr> </thead> <tbody> <tr> <td>BRCA</td><td>55.0%</td></tr> <tr> <td>SSB</td><td>45.0%</td></tr> <tr> <td>Total</td><td>100.0%</td></tr> </tbody> </table>	Shareholders	Shareholding Proportion	BRCA	55.0%	SSB	45.0%	Total	100.0%	This clause is reasonable and will ensure that BRC has control over SSM's Board upon the completion of the Proposed Disposal.
Shareholders	Shareholding Proportion									
BRCA	55.0%									
SSB	45.0%									
Total	100.0%									
3.	<p><u>Directors</u></p> <p>The board of directors of SSM ("SSM Board") shall consist of up to 5 directors unless otherwise agreed between the shareholders of SSM.</p> <p>So long as BRC is the majority shareholder of SSM, BRC shall be entitled to nominate 3 directors to the SSM Board or more than half of the members of the SSM Board, where applicable. In the event that BRC is no longer the majority shareholder of SSM, BRC shall be entitled to nominate 1 director to the SSM Board for every 20.0% shareholding in SSM it holds.</p> <p>The Company shall be entitled to nominate 1 director to the SSM Board for every 20.0% shareholding in SSM it holds.</p>	This clause is reasonable, and coupled with BRC's entitlement to nominate 3 directors to the SSM Board or more than half of the members of the SSM Board, where applicable, to ensure that BRC has control over SSM Board.								

Premised on the above, we are of the view that the abovementioned salient terms of the SHA are fair and reasonable and not detrimental to the non-interested shareholders

5.3 Risk factors relating to the Proposed Disposal

We take note of the risk factors as disclosed in Section 5, Part A of the Circular.

The Company is already exposed to the risk associated with the manufacturing and trading of steel wire mesh, concrete wires and related products. The non-interested shareholders should also take note of the additional risk factors in relation to the Proposed Disposal.

Loss of potential higher capital value

The fairness of the Disposal Consideration has been discussed in Section 5.2 of this IAL. The Disposal Consideration is based on, amongst others, the fair market value of the SSM Properties appraised by the Independent Valuer.

Effecting the Proposed Disposal at this juncture could result in the Group not realising a potentially higher value of SSM if SSM was to be disposed of later. Nonetheless, the Proposed Disposal is undertaken based on the rationale and benefits set out in Section 3, Part A of the Circular. Further, there can be no assurance or guarantee that the Group can source for ready buyers for SSM in the future and there is no assurance that it can dispose of SSM at a higher value.



We also wish to highlight that despite efforts and measures taken by the Company to mitigate the risks associated with the Proposed Disposal, no assurance can be given that one or a combination of risk factors as stated above and in Section 5, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of the Company, its financial performance, financial position or prospects thereon.

In evaluating the Proposed Disposal, non-interested shareholders should carefully consider the said risk factors and their respective mitigating factors before voting on the resolution pertaining to the Proposed Disposal at the forthcoming EGM. Non-interested shareholders should also note that the risk factors mentioned therein are not meant to be exhaustive.

5.4 Financial effects of the Proposed Disposal

The financial effects of the Proposed Disposal as disclosed in Section 6, Part A of the Circular are as follows:-

(i) Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital of SSB and the substantial shareholders' shareholdings in SSB as the Proposed Disposal does not involve any issuance of new SSB Shares.

(ii) NA, NA per Share and gearing

For illustrative purposes, based on the latest audited consolidated financial statements of SSB as at 30 June 2024, and assuming that the Proposed Disposal had been completed on 30 June 2024, the pro forma effects of the Proposed Disposal on the audited consolidated NA per Share and gearing of SSB Group are as follows:-

		(I)	(II)
	Audited as at 30 June 2024 (RM'000)	Subsequent adjustment up to LPD ^[1] (RM'000)	After (I) and the Proposed Disposal (RM'000)
Equity attributable to owners of the Company/ NA	568,341	946,897	931,686 ^[2]
Borrowings	872,461	622,461	597,073 ^[3]
Gearing (times)	1.54	0.66	0.64
NA per share (RM)	0.95	0.63	0.62

Notes:

[1] After adjusting for the following:

- (a) the Issuance of Shares and the Private Placement, both of which were completed on 16 January 2025; and
- (b) the repayment of bank borrowings amounting to approximately RM250.00 million pursuant to the variation of the utilisation of proceeds raised from the Issuance of Shares and Private Placement. Further details on the Variation are set out in the Company's circular to shareholders dated 6 March 2025 in relation to the Variation.

[2] After accounting for the pro forma loss of approximately RM15.21 million, which is expected to arise from the Proposed Disposal as further detailed in Section 2.7, Part A of the Circular.



[3] After adjusting for SSM's borrowings amounting to approximately RM25.39 million (which will be excluded from the consolidated financial statements of SSB Group) following the completion of the Proposed Disposal as SSM will cease to be a subsidiary of the Company.

We have taken note that the Proposed Disposal will result in marginal reduction in the Company's NA and gearing mainly due to the expected loss arising from the Proposed Disposal. Such losses do not have any impact to the Company's cash flow.

(iii) Loss and LPS

For illustrative purposes, based on the audited consolidated financial statements of the Company for the FYE 30 June 2024, and assuming that the Proposed Disposal had been completed on 1 July 2023, being the beginning of the FYE 30 June 2024, the pro forma effects of the Proposed Disposal on the consolidated loss and LPS of the Group are as follows:-

	Audited for the FYE 2024 (RM'000)	Subsequent adjustment up to LPD ^[1] (RM'000)	After (I) and the Proposed Disposal (RM'000)
LAT attributable to the owners of the Company	(55,843)	(57,082)	(72,293) ^[2]
No. of SSB Shares in issue ('000)	596,313	1,501,113	1,501,113
LPS (sen) ^[3]	(9.36)	(3.80)	(4.82)

Notes:

[1] After adjusting for the Issuance of Shares and the Private Placement, both of which were completed on 16 January 2025.

[2] After accounting for the pro forma loss of approximately RM15.21 million, which is expected to arise from the Proposed Disposal as further detailed in Section 2.7, Part A of the Circular.

[3] Computed based on LAT attributable to the owners of the Company over the total number of SSB Shares in issue.

Similarly to our discussion on the effect of NA, NA per Share and gearing, we note that LPS will further increase due to the expected loss arising from the Proposed Disposal. With the Proposed Disposal, the Company will focus its resources in exploring various options to upgrade its upstream steelmaking and rolling facilities to enhance productivity and concurrently, participate in SSM's growth trajectory and profitability via the minority stake in SSM. The impact on the improvements on the Group's LPS moving forward, will depend on the future performance of the Group's upstream business as well as the share of profit arising from SSM.

Based on the above, we are of the opinion that the effects of the Proposed Disposal are fair and reasonable and not detrimental to the non-interested shareholders.



6 CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Disposal and have set out our evaluation in Section 2 through Section 5 of this IAL. We summarised the potential advantages and disadvantages of the Proposed Disposal as follows:

Potential Advantages	Potential Disadvantages
<p>Proposed Disposal is part of the Group's strategy to strengthen the Group's downstream operation through strategic partnership with BRC, who will be spearheading the downstream business and ensuring the Company's continued participation in SSM's growth trajectory and profitability.</p>	<p>Proposed Disposal will result in an estimated net pro forma loss of approximately RM15.21 million mainly due to the derecognition of the goodwill, which was initially recognised when the Company acquired and/or subscribed to SSM Share since year 1996 to year 2018.</p>
<p>The Proposed Disposal enables the Company to benefit from BRC's expertise and distribution network, enhancing market reach, operational efficiency, and product development. Joint efforts will focus on identifying synergies such as process improvements, supply chain diversification, and expanded sales channels, ultimately boosting SSM's performance and delivering returns to the Company as a minority shareholder.</p> <p>The Proposed Disposal would enable the Group to preserve cash outlay and reduce overhead cost, particularly the capital expenditure required for upgrading of its downstream plants, if any.</p>	<p>In addition, the Proposed Disposal might result in loss of potential revenue and profit contribution from SSM in the future. However, with the Proposed Disposal, the Company will focus its resources in exploring various options to upgrade its upstream steelmaking and rolling facilities to enhance productivity and concurrently, participate in SSM's growth trajectory and profitability via the minority stake in SSM. The improvement in the Group's LPS will depend on the future performance of its upstream business and the profit contribution from SSM.</p>

Premised on the above, we are of the view that the potential advantages outweigh the potential disadvantages.

We have taken cognisance of the rationale and benefits, effects and risk factors of the Proposed Disposal. Based on our evaluation and comments on the Proposed Disposal, we are of the opinion that the Proposed Disposal is **fair and reasonable** and are **not detrimental** to the non-interested shareholders.

Accordingly, we recommend that the non-interested shareholders to vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

Before arriving at the decision to vote on the resolution pertaining to the Proposed Disposal, it is pertinent that the non-interested shareholders consider the issues and implications raised in this IAL as well as other considerations as set out in Part A of the Circular carefully and the Directors' statement and recommendation in respect of the Proposed Disposal as set out in Section 13, Part A of the Circular.

Yours faithfully,
For and on behalf of
STRATEGIC CAPITAL ADVISORY SDN. BHD.

NG WOON LIT
Director
Investment Representative
eCMSRL/B5412/2015

TAN DAI LIANG, CFA
Director
Investment Representative
eCMSRL/B6239/2015

SALIENT TERMS OF THE SPA

1. CONDITIONS PRECEDENT

The completion of the Proposed Disposal (“**Closing**”) is conditional upon satisfaction or waiver (as the case may be) of the following conditions precedent (“**Conditions Precedent**”) by or before 31 July 2025 or such other date as may be mutually agreed by our Company and BRC (collectively, the “**Parties**”) in accordance with the terms of the SPA (“**Long Stop Date**”) (“**Unconditional Date**”):-

- (i) the passing of an ordinary resolution of our shareholders at an EGM in respect of the Proposed Disposal;
- (ii) the non-occurrence of any material adverse change* in relation to the operations, businesses, properties and/or financial condition (including liabilities, assets and results) of SSM, that has caused or is reasonably likely to cause the net tangible asset value of SSM to decrease by more than 20.0% from that set forth in the unaudited management accounts of SSM drawn up to 31 December 2024 occurring on or before Closing;
- (iii) BRC having obtained either an assessment by SGX RegCo on BRC’s views on the application of Rule 908(2) of the Listing Manual vis-à-vis disaggregating transactions with our Group and Esteel Group as defined in the Listing Manual, or approval being obtained from the shareholders of BRC in a general meeting for the Proposed Disposal; and
- (iv) the Parties reaching agreement on the agreed form of the shareholders’ agreement to be entered into between the Parties. As announced by our Company on 30 June 2025, our Company had, on even date, entered into the SHA with BRC and SSM in relation to the Proposed Disposal. Please refer to **Appendix II** of this Circular for the salient terms of the SHA.

Note:-

- * *If there is a material adverse change affecting the operations, businesses, properties and/or financial condition (including liabilities, assets and results of SSM) that has resulted in or is reasonably expected to result in a decrease of more than 20.0% in the net tangible asset value of SSM compared to the amount stated in its unaudited management accounts as at 31 December 2024, the relevant condition precedent will not be satisfied unless it is waived by BRC and as a result thereof, there will be no downward adjustment to the Disposal Consideration. Further, in the event that such condition precedent is not satisfied or has been waived by BRC by or before the Long Stop Date, the SPA will automatically terminate and neither our Company nor BRC shall have any claim against the other, save for any claim arising from antecedent breaches of the SPA.*

2. CLOSING

Closing shall take place on (“**Closing Date**”):-

- (i) a date falling 5 business days after the Unconditional Date; or
- (ii) such other date as the Parties may mutually agree in accordance with the SPA.

3. CONSIDERATION

- (i) Subject to **Section 3(ii) of Appendix I** of this Circular, the Disposal Consideration shall be an amount in cash equal to RM61.05 million.

SALIENT TERMS OF THE SPA (CONT'D)

(ii) If there is a Dividend Declared before Closing and provided the Dividend Declared has been or would be paid to our Company whether before or after Closing, the Disposal Consideration shall be revised to the following figure in RM:-

Revised Disposal Consideration = 55.0% multiplied by (RM111,000,000 minus Dividend Declared)
--

4. PAYMENT

On the Closing Date, BRC shall pay the Disposal Consideration to our Company.

If BRC does not pay the Disposal Consideration when due under the SPA, our Company shall, subject to the terms of the SPA, be entitled to elect to:-

- (i) claim for specific performance against BRC of its obligations under the SPA; or
- (ii) terminate the SPA (other than the surviving provisions under the SPA) without liability on the part of SSB; or
- (iii) fix a new Closing Date.

If our Company does not deliver the required documents in accordance with the SPA, BRC shall, subject to the terms of the SPA, be entitled to elect to:-

- (i) claim for specific performance against our Company of its obligations under the SPA; or
- (ii) terminate the SPA (other than the surviving provisions under the SPA) without liability on the part of BRC; or
- (iii) fix a new Closing Date.

5. TERMINATION RIGHTS

The SPA may be terminated (other than the surviving provisions under the SPA) at any time prior to Completion:-

- (i) by mutual written agreement of the Parties;
- (ii) if the Conditions Precedent have not been fulfilled or waived in accordance with the SPA;
- (iii) by our Company pursuant to the following:
 - (a) **Section 4 of Appendix I** of this Circular; or
 - (b) a breach of the fundamental warranties and representations given by BRC as set out in the SPA; or
- (iv) by BRC pursuant to the following:
 - (a) **Section 4 of Appendix I** of this Circular; or
 - (b) a breach of the fundamental warranties and representations given by our Company as set out in the SPA.

SALIENT TERMS OF THE SHA

1. EFFECTIVE DATE

The SHA is conditional upon the occurrence of the Closing and shall take effect immediately after the Closing ("Effective Date").

2. SHAREHOLDING

On the Effective Date, the proportion of the total number of SSM Shares held by each shareholder of SSM, relative to the total number of SSM Shares issued and outstanding in the capital of SSM ("Shareholding Proportion") shall be as set out below:-

Shareholders	Shareholding Proportion (%)
BRG	55.0
SSB	45.0
Total	100.0

3. DIRECTORS

The board of directors of SSM ("SSM Board") shall consist of up to 5 directors unless otherwise agreed between the shareholders of SSM.

So long as BRC is the majority shareholder of SSM, BRC shall be entitled to nominate 3 directors to the SSM Board or more than half of the members of the SSM Board, where applicable. In the event that BRC is no longer the majority shareholder of SSM, BRC shall be entitled to nominate 1 director to the SSM Board for every 20.0% shareholding in SSM it holds.

Our Company shall be entitled to nominate 1 director to the SSM Board for every 20.0% shareholding in SSM we hold.

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INFORMATION OF SSM

1. BRIEF HISTORY OF SSM AND THE GENERAL NATURE OF BUSINESS CONDUCTED BY SSM

SSM was incorporated on 27 December 1980 and established under Hong Leong Industries Berhad. SSM was subsequently merged with Southern Mesh Sdn Bhd in 1995 and became a wholly-owned subsidiary of our Group in 2000.

Since the late 1980s, SSM has been a leader in the local steel welded mesh industry. Leveraging its decades of experience and expertise, SSM took over the cut and bend business unit from our Company in 2007. SSM principally specialises in the manufacturing, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products.

SSM has 4 manufacturing plants strategically located in the Central and Northern regions to provide customers with accessible products and services. SSM's mesh manufacturing plants are located in Klang and Perai, with a combined production capacity of 150,000 metric tonnes ("Mt") per annum, while 2 cut and bend manufacturing plants located in Rawang and Perai with a combined production capacity of 160,000 Mt per annum.

SSM was the earliest wire mesh manufacturer to be awarded the prestigious ISO 9001:2000. SSM also holds the Australasian Certification Authority for Reinforcing and Structural Steels certification for the Australian or New Zealand markets.

The cut and bend division is one of the leading mills in Malaysia offering off-site cut and bend bars for the construction industry. SSM has assisted its customers with a hassle-free process and helped raise productivity standards in construction. Through streamlined processes and expertise, SSM has delivered solutions that are customised to the project reinforcement blueprint within the project timeline and reduce material wastage. SSM is the first off-site cut and bend fabricator to be certified with MS 1438:1998 by Standards and Industrial Research Institute of Malaysia (SIRIM). SSM adheres to stringent quality control and has strong technical backup to fulfil the requirements of complex projects.

2. TYPE OF ASSETS OWNED

Based on the latest audited financial statements of SSM as at 30 June 2024, the total assets of SSM amounted to RM161.22 million, comprising the following:-

Type of assets	As at 30 June 2024 (RM'000)
<u>Non-current assets</u>	
Property, plant and equipment	48,841
Right-of-use assets	14,405
Deferred tax assets	4,696
Total non-current assets	67,942
<u>Current assets</u>	
Inventories	39,950
Trade and other receivables	39,908
Current tax assets	54
Cash and cash equivalents	13,363
Total current assets	93,275
Total assets	161,217

INFORMATION OF SSM (CONT'D)

3. SHARE CAPITAL

The issued share capital of SSM is RM44,497,613.82 comprising 23,424,658 SSM Shares as at the LPD.

4. DIRECTORS AND SHAREHOLDERS

The directors of SSM are Yeoh Choon Kwee (Singaporean) and David Ting Kiun Hua (Malaysian) as at the LPD. None of the directors of SSM has any interest, whether direct or indirect, in SSM Shares as at the LPD.

SSM is a wholly-owned subsidiary of our Company as at the LPD.

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

SSM does not have any subsidiary or associate company as at the LPD.

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred by SSM which, upon becoming enforceable, may have an impact on the profits or NA of SSM.

7. MATERIAL CONTRACTS

SSM has not entered into any contracts which are or may be material (not being contracts entered into in the ordinary course of business of SSM) within 2 years immediately preceding the date of this Circular.

8. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, SSM is not engaged in any material litigation, claims or arbitration, either as a plaintiff or defendant, which has or may have a material effect on the financial position or the business of SSM, and the SSM Board is not aware of any proceeding pending or threatened against SSM, or of any fact likely to give rise to any proceeding, which may materially or adversely affect the financial position or business of SSM.

INFORMATION OF SSM (CONT'D)**9. SUMMARY OF FINANCIAL INFORMATION**

A summary of the consolidated financial information of SSM based on its audited financial statements for the past 3 FYEs 30 June 2022, 2023 and 2024 as well as the unaudited financial statements for the 6-month FPEs 31 December 2023 and 2024 is as follows:-

	Audited FYE 30 June			Unaudited FPE 31 December	
	2022	2023	2024	2023	2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue ⁽¹⁾	513,545	507,160	524,280	261,815	233,332
Gross profit	20,297	16,279	27,213	14,351	11,443
Profit/(loss) before tax	4,297	(2,686)	5,793	3,353	(101)
PAT/(LAT)	4,966	(2,626)	4,719	2,511	(243)
PAT/(LAT) margin (%)	0.97	(0.52)	0.90	0.96	(0.10)
Share capital	44,498	44,498	44,498	44,498	44,498
Shareholders' funds/NA	96,144	103,776	108,912	106,285	105,624
Cash and cash equivalents	17,750	18,330	13,363	16,517	15,496
Total borrowings	5,544	7,100	25,388	24,953	26,142
No. of SSM Shares in issue ('000)	23,425	23,425	23,425	23,425	23,425
Earnings/(Loss) per SSM Share (RM)	0.21	(0.11)	0.20	0.11	(0.01)
NA per SSM Share (RM)	4.10	4.43	4.65	4.54	4.51
Gearing ratio (times) ⁽²⁾	0.06	0.07	0.23	0.23	0.25
Current ratio (times) ⁽³⁾	1.68	1.87	2.07	2.10	2.13

Notes:-

(1) The breakdown of SSM's revenue by geographical location for the past 3 financial years up to the FYE 30 June 2024 is as follows:-

	Audited FYE 30 June					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	509,119	99.14	497,464	98.09	508,460	96.98
Singapore	4,426	0.86	6,866	1.35	4,050	0.77
Australia	-	-	2,830	0.56	11,440	2.18
New Zealand	-	-	-	-	330	0.07
Total revenue	513,545	100.00	507,160	100.00	524,280	100.00

(2) Computed based on total borrowings over NA.

(3) Computed based on current assets over current liabilities.

During the FYEs/FPEs under review:-

- (i) there were no exceptional and/or extraordinary items in the financial statements of SSM;
- (ii) there have been no accounting policies adopted by SSM which are peculiar; and
- (iii) there have been no audit qualifications to the financial statements of SSM.

INFORMATION OF SSM (CONT'D)

Commentary on past performance**(i) FYE 30 June 2023**

SSM recorded revenue of approximately RM507.16 million in the FYE 30 June 2023, representing a decrease of approximately 1.24% or RM6.39 million as compared to the revenue of approximately RM513.55 million recorded in the previous financial year. The decrease was mainly attributable to weaker pricing of the prefabricated steel products (as compared to the previous financial year) despite an increase in the sales volume of the prefabricated steel products.

In line with the decrease in revenue, SSM recorded a LAT of approximately RM2.63 million in the FYE 30 June 2023 as compared to a PAT of approximately RM4.97 million recorded in the previous financial year.

(ii) FYE 30 June 2024

SSM recorded revenue of approximately RM524.28 million in the FYE 30 June 2024, representing an increase of approximately 3.38% or RM17.12 million as compared to the revenue of approximately RM507.16 million recorded in the previous financial year. The increase was mainly due to higher sales volume of the prefabricated steel products as SSM focused its efforts towards the sale of customised fabricated products which typically command a higher selling price as compared to the typical prefabricated steel products sold during the financial year. The sales mix of customised prefabricated steel products accounted for more than 50.0% of the sales of SSM during the financial year.

In line with the increase in revenue, SSM recorded a PAT of approximately RM4.72 million in the FYE 30 June 2024 as compared to a LAT of approximately RM2.63 million recorded in the previous financial year.

(iii) FPE 31 December 2024

SSM recorded a revenue of approximately RM233.33 million in the FPE 31 December 2024, representing a decrease of approximately 10.88% or RM28.49 million as compared to the revenue of approximately RM261.82 million recorded in the corresponding period of the preceding financial period. The decline was primarily attributable to an 8.11% reduction in sales volume per tonne, reflecting softer market demand during the financial period under review.

In line with the decrease in revenue, SSM recorded a LAT of approximately RM0.24 million for the FPE 31 December 2024 as compared to a PAT of approximately RM2.51 million recorded in the corresponding period of the preceding financial period.

INFORMATION OF SSM (CONT'D)

10. KEY INFORMATION OF SSM PROPERTIES

		Subject property located in Penang		Subject property located in Kapar		Subject property located in Kuantan																																																																			
Description of the buildings	:	<ul style="list-style-type: none"> (i) single storey detached factory with a double storey office annexed ("Factory I"); (ii) single storey detached factory with a double storey office annexed ("Factory II"); (iii) single storey detached factory ("Factory III"); (iv) guard house; (v) two Tenaga Nasional Berhad ("TNB") substations; and (vi) pump room. 	<ul style="list-style-type: none"> (i) single storey detached factory ("Factory A") with four storey office building ("Office A"); (ii) single storey detached factory ("Factory B") with a double storey engineering and maintenance block ("E&M Block"); (iii) single storey detached factory ("Factory C"); (iv) two guard houses; (v) refuse chamber; and (vi) TNB substation. 	<ul style="list-style-type: none"> (i) single storey detached factory ("Factory 1"); (ii) single storey detached factory ("Factory 2"); (iii) single storey detached factory ("Factory 3"); (iv) double storey office building detached to Factory 1 ("Office 1"); and (v) other buildings (i.e. single storey canteen, pump house, schedule waste storage, engineering workshop, guard house and TNB substation) ("Other Ancillary Buildings"). 	<ul style="list-style-type: none"> (i) Factory 1 (ii) Factory 2 (iii) Factory 3 (iv) Office 1 (v) Other Ancillary Buildings 	<ul style="list-style-type: none"> Vacant and unoccupied 																																																																			
Age of buildings	:	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>No.</th> <th>Buildings</th> <th>Age (Estimated)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Factory I</td> <td>40 years</td> </tr> <tr> <td>(ii)</td> <td>Factory II</td> <td>38 years</td> </tr> <tr> <td>(iii)</td> <td>Factory III</td> <td>38 years</td> </tr> <tr> <td>(iv)</td> <td>Guard house</td> <td>38 years</td> </tr> <tr> <td>(v)</td> <td>TNB substations</td> <td>38 years</td> </tr> <tr> <td>(vi)</td> <td>Pump room</td> <td>22 years</td> </tr> </tbody> </table>	No.	Buildings	Age (Estimated)	(i)	Factory I	40 years	(ii)	Factory II	38 years	(iii)	Factory III	38 years	(iv)	Guard house	38 years	(v)	TNB substations	38 years	(vi)	Pump room	22 years	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>No.</th> <th>Buildings</th> <th>Age (Estimated)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Factory A</td> <td>23 years</td> </tr> <tr> <td>(ii)</td> <td>Office A</td> <td>31 years</td> </tr> <tr> <td>(iii)</td> <td>Factory B</td> <td>38 years</td> </tr> <tr> <td>(iv)</td> <td>E&M Block</td> <td>21 years</td> </tr> <tr> <td>(v)</td> <td>Factory C</td> <td>31 years</td> </tr> <tr> <td>(vi)</td> <td>Guard houses</td> <td>31 years</td> </tr> <tr> <td>(vii)</td> <td>Refuse chamber</td> <td>15 years</td> </tr> <tr> <td>(viii)</td> <td>TNB substation</td> <td>33 years</td> </tr> </tbody> </table>	No.	Buildings	Age (Estimated)	(i)	Factory A	23 years	(ii)	Office A	31 years	(iii)	Factory B	38 years	(iv)	E&M Block	21 years	(v)	Factory C	31 years	(vi)	Guard houses	31 years	(vii)	Refuse chamber	15 years	(viii)	TNB substation	33 years	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>No.</th> <th>Buildings</th> <th>Age (Estimated)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Factory 1</td> <td>25 years</td> </tr> <tr> <td>(ii)</td> <td>Factory 2</td> <td>25 years</td> </tr> <tr> <td>(iii)</td> <td>Factory 3</td> <td>25 years</td> </tr> <tr> <td>(iv)</td> <td>Office 1</td> <td>25 years</td> </tr> <tr> <td>(v)</td> <td>Other Ancillary Buildings</td> <td>25 years</td> </tr> </tbody> </table>	No.	Buildings	Age (Estimated)	(i)	Factory 1	25 years	(ii)	Factory 2	25 years	(iii)	Factory 3	25 years	(iv)	Office 1	25 years	(v)	Other Ancillary Buildings	25 years	<ul style="list-style-type: none"> Manufacturing factory 		
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Existing use / occupation	:	Manufacturing factory																																																																							
Occupancy rate	:	100%																																																																							
Registered owner	:	SSM																																																																							
						SSM																																																																			

INFORMATION OF SSM (CONT'D)

		Subject property located in Penang		Subject property located in Kapar		Subject property located in Kuantan
Postal address	: 2482, Perusahaan Kawasan Perusahaan Perai, 13600 Pulau Pinang	Lorong 12, Kawasan Perusahaan Perai, 13600 Pulau Pinang	2489, Lorong 12, Kawasan Perusahaan Perai, 13600 Perai, Pulau Pinang	Lot 69501, Batu 5 1/2, Jalan Darul Ehsan Klang, Selangor Darul Ehsan Perai, 13600 Perai, Pulau Pinang	Lot 77A, Kawasan Perindustrian Gebeng, Jalan Gebeng 1/6, 26080 Kuantan, Pahang Darul Makmur	
Title No.	: HS(D) 31359		HS(D) 41665 (formerly known as HSD 2652 Mk 1)	Geran Mukim 18814		HS(D) 45 (formerly known as HS(D) 7702)
Lot No.	: PT 1466	PT 1407		Lot 69501	PT 16403	
Tenure	: Leasehold for 60 years, expiring on 23 January 2045	Leasehold for 60 years, expiring on 13 May 2043		Grant in perpetuity	Leasehold for 66 years, expiring on 5 February 2052	
Approximate land area	: 11,302 sqm	4,180 sqm		31,180 sqm	40,468.60 sqm	
Category of land use	:	Industrial		Industrial	Industrial	
Encumbrances	: Nil	Nil		Nil	Nil	Nil
Restriction in interest	: (i) The land hereby alienated shall not be transferred, charged, leased, sub-leased or otherwise in any manner dealt with or disposed of without the written sanction of the State Authority. (ii) The land hereby alienated shall not be subdivided.			Nil	Nil	The land shall not be transferred, charged or leased without the written consent of YAB Chief Minister of Pahang.

INFORMATION OF SSM (CONT'D)

		Subject property located in Penang	Subject property located in Kapar	Subject property located in Kuantan
Other endorsement	: "Lease of a portion of the land to Tenaga Nasional Berhad for a period of 30 years, commencing on 24 January 1995 and ending on 23 January 2025" vide Presentation No. 0799SC1995022993, No. Jilid 9 No. Folio 181 dated 21 December 1995.	"Lease of a portion of the land to Tenaga Nasional Berhad for a period of 30 years, commencing on 18 June 1992 and ending on 17 June 2022" vide Presentation No. 0799SC1993010077, No. Jilid 7 No. Folio 130 dated 19 July 1993.	(i) "Lease of the entire land to Lembaga Letrik Negara Tanah Melayu for a period of 30 years, commencing on 1 September 1984 and ending on 31 August 2014" vide Presentation No. 011SC3239/1986, No. Jilid 1 No. Folio 91 dated 16 December 1986. (ii) "Approval for the surrender of a portion of land measuring approximately 6,106 sqm, with the quit rent revised to RM3,211.00" vide Presentation No. 011N549/2008 dated 5 December 2008. (iii) "Lease of a portion of the land to Tenaga Nasional Berhad for a period of 30 years, commencing on 7 September 2015 and ending on 6 September 2045" vide Presentation No. 011SC10429/2015 dated 9 October 2015.	Nil
Express conditions	: (i) The subsequent proprietor registered after the two years from the date of alienation or within such further term as may be approved by the State Authority erect a factory building or buildings on the land hereby alienated in accordance with the plan approved by the local authority and shall maintain the building or buildings so erected to the satisfaction of the State Authority. (ii) The subsequent proprietor registered after the two years from the date of alienation or within such further term as may be approved by the State Authority shall treat, dispose of, or cause to be treated and disposed of, trade effluents in a manner to the satisfaction of the State Authority.		Industrial	This land shall be used as an industrial site only.

INFORMATION OF SSM (CONT'D)

	Subject property located in Penang	Subject property located in Kapar	Subject property located in Kuantan
	<p>(iii) The subsequent proprietor registered after the Penang Development Corporation shall pay and discharge all taxes, rates, assessments and charges whatsoever which may be payable for the time being in respect of the land hereby alienated or any part thereof, levied by the Majlis Perbandaran Seberang Perai.</p> <p>(iv) The subsequent proprietor registered after the Penang Development Corporation shall ensure that 30% of the employees engaged in the business for which the land is hereby alienated shall be Malays.</p>		
Independent Valuer	Laurelcap	Laurelcap	Laurelcap
Valuation date	28 February 2025	4 March 2025	27 February 2025
Valuation approaches	<p>(i) Cost approach (primary)</p> <p>(ii) Income approach (secondary)</p>	<p>(i) Cost approach (primary)</p> <p>(ii) Income approach (secondary)</p>	<p>(i) Cost approach (primary)</p> <p>(ii) Income approach (secondary)</p>
Market value	RM11,500,000	RM48,000,000	RM12,100,000
Unaudited NBV as at 31 December 2024	RM9,533,472	RM41,007,782	RM5,963,099

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INFORMATION OF BRC**1. BACKGROUND INFORMATION OF BRC**

BRC was incorporated in Singapore under the laws of Singapore on 14 December 1938, having its registered address at 350 Jalan Boon Lay, Jurong Industrial Estate, Singapore 619530. BRC is listed on the Mainboard of SGX-ST.

BRC and its subsidiaries are principally involved in prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars and manufacturing and sale of wire mesh fences.

2. SHARE CAPITAL

The issued share capital of BRC is SGD185,103,302.95 comprising 275,976,689 BRC Shares (including 1,626,600 BRC Shares held as treasury shares) in the capital of BRC as at the LPD.

3. DIRECTORS AND SHAREHOLDERS

The directors of BRC are Darrell Lim Chee Lek, Toh Kian Sing, Kwek Pei Xuan, Stephen Ho Kiam Kong, Chang Pui Yook, Joel Leong Kum Hoe, Zhang Xingwang, Teo Ser Luck, Xu Jiguo and Seah Kiin Peng as at the LPD.

Based on the register of directors' shareholding as at the LPD, the directors of BRC do not own any interests, whether direct or indirect, in BRC Shares.

The substantial shareholders of BRC together with their respective shareholdings in BRC as at the LPD are as follows:-

	Direct		Indirect	
	No. of BRC Shares	(1)%	No. of BRC Shares	(1)%
Esteel	167,795,536	61.16	-	-
You Zhenhua	-	-	⁽²⁾ 167,795,536	61.16
Advance Venture	-	-	⁽³⁾ 167,795,536	61.16
Theme International	-	-	⁽³⁾ 167,795,536	61.16
Wide Bridge	-	-	⁽⁴⁾ 167,795,536	61.16
Bright Power	-	-	⁽⁵⁾ 167,795,536	61.16
HLAI	54,875,000	20.00	-	-
Hong Leong Asia Ltd	-	-	⁽⁶⁾ 55,280,500	20.15
HLCH	-	-	⁽⁷⁾ 55,571,900	20.26
Hong Leong Enterprises Pte Ltd	-	-	⁽⁸⁾ 55,571,900	20.26
HLIH	-	-	⁽⁹⁾ 57,460,900	20.94
Davos Investment Holdings Private Limited	-	-	⁽¹⁰⁾ 57,460,900	20.94
Kwek Holdings Pte Ltd	-	-	⁽¹⁰⁾ 57,460,900	20.94

INFORMATION OF BRC (CONT'D)

Notes:-

- (1) *Based on the total number of issued BRC Shares of 274,350,089 BRC Shares (excluding 1,626,600 BRC Shares held as treasury shares) as at the LPD.*
- (2) *Deemed interested by virtue of his direct shareholdings in Esteel and his controlling interest in Advance Venture, Theme International, Wide Bridge and Bright Power pursuant to Section 4 of the SFA.*
- (3) *Deemed interested by virtue of its direct shareholdings in Esteel pursuant to Section 4 of the SFA.*
- (4) *Deemed interested by virtue of its controlling interest in Theme International pursuant to Section 4 of the SFA.*
- (5) *Deemed interested by virtue of its controlling interest in Theme International and Wide Bridge pursuant to Section 4 of the SFA.*
- (6) *Deemed interested by virtue of its controlling interest in HLAI and Rex Plastics pursuant to Section 4 of the SFA.*
- (7) *Deemed interested by virtue of its controlling interest in HLAI, Starich Investments and Rex Plastics pursuant to Section 4 of the SFA.*
- (8) *Deemed interested by virtue of its interest of not less than 20% of the voting shares in HLCH pursuant to Section 4 of the SFA.*
- (9) *Deemed interested by virtue of its controlling interest in HLAI, Starich Investments, Rex Plastics and Shanwood Development Pte Ltd pursuant to Section 4 of the SFA.*
- (10) *Deemed interested by virtue of its interest of not less than 20% of the voting shares in HLIH pursuant to Section 4 of the SFA.*

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AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024

Southern Steel Mesh Sdn. Bhd.

(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)

**Financial statements for the
financial year ended 30 June 2024**

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)**Southern Steel Mesh Sdn. Bhd.**

(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)

Directors' report for the financial year ended 30 June 2024

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 30 June 2024.

Principal activities

The principal activities of the Company are manufacturing, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products. There have been no significant changes in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year until the date of this report.

Results

	RM'000
Profit for the year	<u>4,719</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

Since the end of the previous financial year, the amount of dividend paid by the Company was as follows:

- i) In respect of the financial year ended 30 June 2024:
 - No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2024.
- ii) In respect of the financial year ending 30 June 2025:
 - An interim ordinary dividend of 13.00 sen per ordinary share totalling RM3,045,000 declared on 29 July 2024 and paid on 31 July 2024.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Mr Yeoh Choon Kwee
Mr Tan Teck Heng

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

Directors' interests

No Director holding office at the end of the financial year has beneficial interest in the ordinary shares of the Company during the financial year ended 30 June 2024 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016. The interest of Mr Yeoh Choon Kwee (who is also a Director of the holding company) in the holding company is disclosed in the Directors' Report of the holding company. The interest of Mr Tan Teck Heng in the holding company is as follows:

**Number of ordinary shares/
ordinary shares received or to be received
arising from vesting of share grant***

At			At
1.7.2023	Acquired	Sold	30.6.2024

Direct interest:

Southern Steel Berhad	-	750,000*	-	750,000*
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Directors' benefits

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees, remuneration, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors or the fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no issue of shares and debentures of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group", which includes Southern Steel Berhad ("SSB") and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM66,472 and the apportioned amount of the said premium paid by SSB, the holding company, was RM15,636.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent; or
- ii) that would render the values attributed to the current assets in the financial statements of the Company misleading; or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 30 June 2024 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

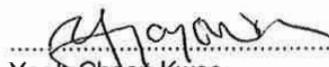
Registration No. 198001012163 (65949 - T)

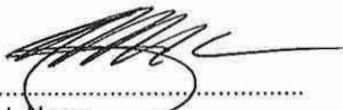
Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM65,000.

The Board,


.....
Yeoh Choon Kwee


.....
Tan Teck Heng

30 September 2024

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Southern Steel Mesh Sdn. Bhd.(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)**Statement of financial position as at 30 June 2024**

	Note	2024 RM'000	2023 RM'000
Assets			
Property, plant and equipment	4	48,841	50,436
Right-of-use assets	5	14,405	15,050
Deferred tax assets	6	4,696	5,519
Total non-current assets		<u>67,942</u>	<u>71,005</u>
Inventories	7	39,950	33,499
Trade and other receivables	8	39,908	35,405
Current tax assets		54	210
Cash and cash equivalents	9	13,363	18,330
Total current assets		<u>93,275</u>	<u>87,444</u>
Total assets		<u>161,217</u>	<u>158,449</u>
Equity			
Share capital	10	44,498	44,498
Reserves	11	64,414	59,278
Total equity attributable to owner of the Company		<u>108,912</u>	<u>103,776</u>
Liabilities			
Deferred tax liabilities	6	2,987	2,987
Employee benefits	12	4,356	4,975
Total non-current liabilities		<u>7,343</u>	<u>7,962</u>
Trade and other payables	13	19,574	39,611
Borrowings	14	25,388	7,100
Total current liabilities		<u>44,962</u>	<u>46,711</u>
Total liabilities		<u>52,305</u>	<u>54,673</u>
Total equity and liabilities		<u>161,217</u>	<u>158,449</u>

The notes on pages 10 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Southern Steel Mesh Sdn. Bhd.(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)**Statement of profit or loss and other comprehensive income for the year ended 30 June 2024**

	Note	2024 RM'000	2023 RM'000
Revenue	15	524,280	507,160
Cost of sales		<u>(497,067)</u>	<u>(490,881)</u>
Gross profit		27,213	16,279
Distribution expenses		(12,123)	(11,336)
Administrative expenses		(10,307)	(9,537)
Other operating expenses		(217)	(124)
Other operating income		<u>1,910</u>	<u>1,645</u>
Results from operations		6,476	(3,073)
Interest income		743	578
Finance costs	16	<u>(1,426)</u>	<u>(191)</u>
Profit/(Loss) before taxation	17	5,793	(2,686)
Tax expense	18	<u>(1,074)</u>	<u>60</u>
Profit/(Loss) for the year		4,719	(2,626)
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Re-measurement of defined benefit liability		417	-
Revaluation of land		-	6,300
Revaluation of right-of-use assets		-	3,958
Total other comprehensive income for the year	19	417	10,258
Total comprehensive income for the year		5,136	7,632

The notes on pages 10 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Southern Steel Mesh Sdn. Bhd.(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)**Statement of changes in equity for the year ended
30 June 2024**

	<i>/---Non-distributable---/ Distributable</i>			
	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2022	44,498	24,354	27,292	96,144
Loss for the year	-	-	(2,626)	(2,626)
Other comprehensive income:				
- Revaluation of land	-	6,300	-	6,300
- Revaluation of right-of-use assets	-	3,958	-	3,958
Total comprehensive income for the year	-	10,258	(2,626)	7,632
At 30 June 2023/1 July 2023	44,498	34,612	24,666	103,776
Profit for the year	-	-	4,719	4,719
Other comprehensive income:				
- Re-measurement of defined benefit liability	-	-	417	417
Total comprehensive income for the year	-	-	5,136	5,136
At 30 June 2024	44,498	34,612	29,802	108,912

Note 10

The notes on pages 10 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Southern Steel Mesh Sdn. Bhd.(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)**Statement of cash flows for the year ended 30 June 2024**

	2024 RM'000	2023 RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	5,793	(2,686)
<i>Adjustments for:</i>		
Property, plant and equipment:		
- depreciation	2,759	2,778
Right-of-use assets:		
- depreciation	645	448
Finance costs	1,426	191
Interest income	(743)	(578)
Provision for retirement benefits	438	428
Share-based payments	<u>(100)</u>	<u>100</u>
Operating profit before working capital changes	10,218	681
Inventories	(6,451)	13,617
Trade and other receivables	(4,503)	2,774
Trade and other payables	<u>(20,037)</u>	<u>(16,191)</u>
Cash (used in)/generated from operations	(20,773)	881
Retirement benefits paid	(408)	(209)
Interest income received	743	578
Finance costs paid	(1,426)	(191)
Tax paid, net	<u>(227)</u>	<u>(272)</u>
Net cash (used in)/from operating activities	<u>(22,091)</u>	<u>787</u>
Cash flows from investing activities		
Acquisition of plant and equipment	<u>(1,164)</u>	<u>(1,763)</u>
Net cash used in investing activities	<u>(1,164)</u>	<u>(1,763)</u>
Cash flows from financing activity		
Drawdown of trade borrowings, net	18,288	1,556
Net cash from financing activity	<u>18,288</u>	<u>1,556</u>
Net change in cash and cash equivalents	(4,967)	580
Cash and cash equivalents at 1 July 2023/2022	18,330	17,750
Cash and cash equivalents at 30 June	<u>13,363</u>	<u>18,330</u>

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

**Statement of cash flows for the year ended 30 June 2024
(continued)**

	2024 RM'000	2023 RM'000
Cash outflows for leases as a lessee		
Included in net cash (used in)/from operating activities:		
Expenses relating to short-term leases	810	873
Expenses relating to leases of low-value assets	18	18
Total cash outflows for leases	828	891

The notes on pages 10 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Southern Steel Mesh Sdn. Bhd.

(Registration No. 198001012163 (65949 - T))
(Incorporated in Malaysia)

Notes to the financial statements**1. Corporate information**

Southern Steel Mesh Sdn. Bhd. ("the Company") is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office

Level 31, Menara Hong Leong
No. 6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur

Principal place of business

Batu 5 1/2, Jalan Kapar
Rantau Panjang
42100 Klang
Selangor Darul Ehsan

The immediate and ultimate holding companies of the Company are Southern Steel Berhad ("SSB") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. SSB is a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are manufacturing, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products.

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2024.

2. Significant accounting policies**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

2. Significant accounting policies (continued)**2.1 Basis of preparation (continued)**

These financial statements have been prepared on the historical cost basis except for the following items, which are measured based on the measurement bases stated below:

Items	Measurement bases
Liabilities for cash-settled share-based payment arrangements	Fair value
Defined benefit plan	Present value of the defined benefit obligation

The preparation of the financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

i) **Note 6 - Deferred tax assets**

Estimating the deferred tax assets to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing our ability to utilise tax benefits through future earnings. The actual utilisation of tax benefit may be different from expected.

ii) **Note 7 - Inventories**

The management reviews for obsolescence and decline in net realisable value to below cost. This review requires judgement and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

The following are MFRS Accounting Standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

2. Significant accounting policies (continued)**2.2 Statement of compliance (continued)*****MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2024***

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements — Volume 11:
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
 - Amendments to MFRS 7, *Financial Instruments: Disclosures*
 - Amendments to MFRS 9, *Financial Instruments*
 - Amendments to MFRS 10, *Consolidated Financial Statements*
 - Amendments to MFRS 107, *Statement of Cash Flows*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned MFRS Accounting Standards, interpretations and amendments, where applicable, when they become effective in their respective financial periods.

The initial application of the MFRS Accounting Standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

3. Material accounting policies**(a) Global minimum tax**

The Company has adopted the amendments to MFRS 112, *Income Taxes – International Tax Reform – Pillar Two Model Rules* that was effective for the financial year beginning on or after 1 July 2023, where the Company is still assessing their impact to the Company's financial statements in the year of initial application.

The ultimate holding company and its subsidiaries (the "UHC Group") of which the Company is a part of, is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules whereby top-up tax on profits is required in any jurisdictions in which it operates when the blended effective tax rate in each of those jurisdictions is lower than the minimum effective tax rate of 15%.

Malaysia, the country that the Company operates in, will be implementing the Pillar Two model rules effective from the financial year beginning on or after 1 January 2025.

The Amendments to MFRS 112 "Income Taxes – International Tax Reform – Pillar Two Model Rules" introduce a temporary mandatory exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

Accordingly, the Company has applied the temporary mandatory exception in Amendments to MFRS 112 "Income Taxes – International Tax Reform – Pillar Two Model Rules" retrospectively and is not accounting for deferred taxes arising from any top-up tax due to the Pillar Two model rules in the financial statements.

The UHC Group is in the process of assessing the potential exposure to the Pillar Two income taxes for all of its subsidiaries that operate in the same jurisdiction as the Company. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Company expects to be in a position to report the potential exposure in the period of application.

(b) Material accounting policy information

The Company also adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Company's accounting policies, it impacted the accounting policy information disclosed in the financial statements.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

3. Material accounting policies (continued)**(c) Property, plant and equipment****(i) Recognition and measurement**

Property, plant and equipment are measured at cost or revaluation less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment under the revaluation model

The Company revalues its land whenever the fair value of the revalued land is expected to differ materially from their carrying value or at intervals of at least once in three (3) years.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the property revaluation reserve to the extent of previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	19 to 28 years
Buildings	8 to 40 years
Plant and machinery	2 to 15 years
Office equipment	2 to 10 years
Motor vehicles	5 years

(d) Right-of-use assets**(i) Recognition and measurement**

All right-of-use assets are measured at cost or revaluation less any accumulated depreciation and any accumulated impairment losses.

The Company revalues its right-of-use properties comprising land in similar manner as the property, plant and equipment under the revaluation model (refer to Note 3(c)(i)).

When the right-of-use properties expire, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

3. Material accounting policies (continued)**(d) Right-of-use assets (continued)****(ii) Recognition exemption**

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) Taxation

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average method.

(g) Employee benefits**(i) Share-based payments**

The Company operates share based compensation plans for the employees of the Company under Southern Steel Berhad's Executive Share Scheme ("ESS") settled by equity of Southern Steel Berhad ("SSB").

In connection with the ESS, trusts have been set up and are administered by an appointed trustee ("ESS Trust"). The trustee will be entitled from time to time, to accept advances from the Company, upon such terms and conditions as the Company and the trustee may agree to purchase the ordinary shares of SSB from the open market for the ESS Trust ("Trust Shares").

(ii) Defined benefit plan

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date, together with adjustments for actuarial gains/losses.

The Company's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, and discounting that amount.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

3. Material accounting policies (continued)**(g) Employee benefits (continued)****(ii) Defined benefit plan (continued)**

The calculation of defined benefit obligations is performed in the interval of every 3 years by a qualified actuary using the projected unit credit method and the last actuarial valuation was carried out in May 2024.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments.

Interest expense and other expenses relating to defined benefit plan are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company has an unfunded plan established pursuant to the Collective Agreement between the Company and The Metal Industry Employees' Union for a duration of 3 years which ended on 31 December 2012. The unfunded defined benefits plan obligations are provided for based on triennial actuarial valuations last carried out in May 2024, using the projected unit credit method.

Effective 1 April 2002, the defined benefit plans of all eligible non-unionised employees of the Company were changed to that of higher EPF contributions depending on years of service. The defined benefit obligation in respect of these employees up to 31 March 2002 under the unfunded old plans was carried forward as provision for retirement benefits in the financial statements. For other eligible employees, the defined benefit obligation is determined based on years of service of employees up to the reporting date.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

3. Material accounting policies (continued)**(h) Financial instruments****(i) Regular way purchase or sale of financial assets**

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting or settlement date in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

4. Property, plant and equipment

Cost/Valuation	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 July 2022	27,000	24,489	113,457	8,869	280	174,095
Revaluation	7,000	-	-	-	-	7,000
Additions	-	422	894	447	-	1,763
Write-off	-	-	(2,242)	(1,548)	-	(3,790)
At 30 June 2023/1 July 2023	34,000	24,911	112,109	7,768	280	179,068
Additions	-	248	811	105	-	1,164
Write-off	-	-	-	(100)	-	(100)
At 30 June 2024	34,000	25,159	112,920	7,773	280	180,132

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

4. Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation						
At 1 July 2022	-	15,420	105,460	8,484	280	129,644
Charge for the year	-	376	2,086 (2,242)	316 (1,548)	-	2,778 (3,790)
At 30 June 2023/1 July 2023	-	15,796	105,304	7,252	280	128,632
Charge for the year	-	600	1,881 -	278 (100)	-	2,759 (100)
At 30 June 2024	-	16,396	107,185	7,430	280	131,291
Carrying amounts						
At 1 July 2022	27,000	9,069	7,997	385	-	44,451
At 30 June 2023/1 July 2023	34,000	9,115	6,805	516	-	50,436
At 30 June 2024	34,000	8,763	5,735	343	-	48,841

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4. Property, plant and equipment (continued)**4.1 Freehold land under revaluation model**

All land of the Company were remeasured at fair value based on an independent valuation carried out by an independent firm of valuers on an open market basis conducted in April 2023 (2023: April 2023). The Directors classified this fair value as level 3 of the fair value hierarchy. The fair value was using the comparison approach with relevant adjustments made to key attributes such as land size and accessibility of the location. The most significant input into the valuation approach is price per square foot which would increase/(decrease) the estimated fair value, if the price per square foot is higher/(lower).

Had the Company's revalued land been carried under the cost model, its carrying amount would have been RM4,132,000 (2023: RM4,132,000).

5. Right-of-use assets

	Land RM'000
At 1 July 2022	10,290
Revaluation	5,208
Depreciation for the year	<u>(448)</u>
At 30 June 2023/1 July 2023	15,050
Depreciation for the year	<u>(645)</u>
At 30 June 2024	<u><u>14,405</u></u>

5.1 Leasehold land under revaluation model

All land of the Company were remeasured at fair value based on an independent valuation carried out by an independent firm of valuers on an open market basis conducted in April 2023 (2023: April 2023). The Directors classified this fair value as level 3 of the fair value hierarchy. The fair value was using the comparison approach with relevant adjustments made to key attributes such as land size and accessibility of the location. The most significant input into this valuation approach was price per square foot ranging from RM13 to RM60. The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

Had the Company's revalued right-of-use of land been carried under the cost model, their carrying amounts would have been RM7,134,000 (2023: RM7,296,000).

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6. Deferred tax assets/(liabilities)**6.1 Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Property, plant and equipment	-	-	(5,202)	(5,490)	(5,202)	(5,490)
Right-of-use assets	-	-	(2,138)	(2,242)	(2,138)	(2,242)
Unabsorbed capital allowances	729	1,881	-	-	729	1,881
Unutilised tax losses	6,691	6,335	-	-	6,691	6,335
Employee benefits	1,045	1,194	-	-	1,045	1,194
Others	584	854	-	-	584	854
Deferred tax assets/ (liabilities)	9,049	10,264	(7,340)	(7,732)	1,709	2,532
Set off of tax	(4,353)	(4,745)	4,353	4,745	-	-
Net deferred tax assets/ (liabilities)	<u>4,696</u>	<u>5,519</u>	<u>(2,987)</u>	<u>(2,987)</u>	<u>1,709</u>	<u>2,532</u>

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

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6. Deferred tax assets/(liabilities) (continued)

6.2 Movement in temporary differences during the year

	At 1.7.2022 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised directly in equity (Note 19) RM'000	At 30.6.2023/ 1.7.2023 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised directly in equity (Note 19) RM'000	At 30.6.2024 RM'000
Property, plant and equipment	(5,054) (1,049)	264 57	(700) (1,250)	(5,490) (2,242)	288 104	- -	(5,202) (2,138)
Right-of-use assets							
Unabsorbed capital allowances	1,652	229	-	1,881	(1,152)	-	729
Unutilised tax losses	6,651	(316)	-	6,335	356	-	6,691
Employee benefits	1,117	77	-	1,194	(17)	(132)	1,045
Others	1,108	(254)	-	854	(270)	-	584
	4,425	57	(1,950)	2,532	(691)	(132)	1,709

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

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6. Deferred tax assets/(liabilities) (continued)**6.3 Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2024 RM'000	2023 RM'000
Unutilised tax losses	-	<u>1,360</u>

Based on existing tax legislation, the unutilised tax losses can be carried forward for ten (10) consecutive years of assessment ("YA") immediately following that YA.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profit will be available against which the unutilised tax losses can be utilised before they expire.

The unutilised tax losses will expire in the following YA:

	2024 RM'000	2023 RM'000
Year of assessment:		
2030	-	1,317
2033	-	<u>43</u>
	<u>-</u>	<u>1,360</u>

Any amounts not utilised upon expiry of the above YA will be disregarded.

7. Inventories

	2024 RM'000	2023 RM'000
Raw materials	31,711	25,616
Work-in-progress	133	367
Finished goods	7,659	7,021
General consumables and other stores	<u>447</u>	<u>495</u>
	<u>39,950</u>	<u>33,499</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	497,067	490,881
Reversal of provision for write down of inventories as other operating income	<u>(214)</u>	<u>(542)</u>

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

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8. Trade and other receivables

	Note	2024 RM'000	2023 RM'000
Trade			
Trade receivables			
- Third parties		34,442	33,612
- Immediate holding company	8.1	2,408	-
- Related parties	8.1	2,473	1,474
		<u>39,323</u>	<u>35,086</u>
Non-trade			
Amount due from:			
- Immediate holding company	8.2	263	-
- Related company	8.2	5	-
- Related parties	8.2	15	-
Other receivables		201	66
Deposits		161	176
Prepayments		<u>186</u>	<u>323</u>
		<u>831</u>	<u>565</u>
Less: Impairment losses - trade		<u>(246)</u>	<u>(246)</u>
		<u>39,908</u>	<u>35,405</u>

8.1 The trade amounts due from immediate holding company and related parties are subject to normal trade terms.

8.2 The non-trade amounts due from immediate holding company, related company and related parties are unsecured, interest-free and repayable on demand.

9. Cash and cash equivalents

	2024 RM'000	2023 RM'000
Deposits with licensed bank	12,415	12,415
Cash and bank balances	<u>948</u>	<u>5,915</u>
	<u>13,363</u>	<u>18,330</u>

9.1 Cash and cash equivalents managed by a related company licensed financial institution

Included in deposits with licensed bank and cash and bank balances at the end of the reporting period are the following balances maintained with a related company:

	2024 RM'000	2023 RM'000
Deposits with licensed bank	-	12,415
Cash and bank balances	<u>943</u>	<u>3,853</u>
	<u>943</u>	<u>16,268</u>

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

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10. Share capital

	2024		2023	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
<i>Issued and fully paid ordinary shares with no par value:</i>	<u>23,425</u>	<u>44,498</u>	<u>23,425</u>	<u>44,498</u>

11. Reserves

	Note	2024 RM'000	2023 RM'000
Reserves consist of:			
Revaluation reserve	11.1	34,612	34,612
Retained earnings		<u>29,802</u>	<u>24,666</u>
		<u>64,414</u>	<u>59,278</u>

11.1 Revaluation reserve

The revaluation reserve relates to the revaluation of land and right-of-use of land.

12. Employee benefits

	Note	2024 RM'000	2023 RM'000
Unfunded retirement benefits	12.1	4,356	4,875
Share-based payments	12.2	-	100
		<u>4,356</u>	<u>4,975</u>

12.1 Unfunded retirement benefits

	2024 RM'000	2023 RM'000
Non-current	<u>4,356</u>	<u>4,875</u>

Movements in net defined benefit liability

	Defined benefit liability	
	2024 RM'000	2023 RM'000
At 1 July	4,875	4,656

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

12. Employee benefits (continued)

12.1 Unfunded retirement benefits (continued)

Movements in net defined benefit liability (continued)

	Defined benefit liability	
	2024 RM'000	2023 RM'000
Included in profit or loss		
Current service cost	225	225
Interest cost	213	203
	438	428
Included in other comprehensive income		
Actuarial (gain)/loss arising from:		
- Demographic assumptions	(6)	-
- Financial assumptions	31	-
- Experience adjustments	(574)	-
	(549)	-
Other		
Benefits paid	(408)	(209)
At 30 June	<u>4,356</u>	<u>4,875</u>
Actuarial assumptions		
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
	2024 %	2023 %
Discount rate	4.43	4.52
Expected rate of salary increases	5.00	5.00
Weighted-average duration	<u>11.0 years</u>	<u>12.3 years</u>

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit liability	
	Increase RM'000	Decrease RM'000
2024		
Discount rate (1% movement)	(351)	403
Future salary growth (1% movement)	<u>361</u>	<u>(321)</u>

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

12. Employee benefits (continued)**12.1 Unfunded retirement benefits (continued)****Sensitivity analysis (continued)**

	Defined benefit liability	
	Increase RM'000	Decrease RM'000
2023		
Discount rate (1% movement)	(378)	432
Future salary growth (1% movement)	482	(424)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

12.2 Share-based payments**Executive Share Schemes ("ESS")**

Southern Steel Berhad ("SSB"), its holding company, had on 15 November 2022, implemented an Executive Share Scheme, which comprises an Executive Share Option Scheme ("ESOS") and an Executive Share Grant Scheme ("ESGS") of up to 10% of the total number of issued shares of SSB ("SSB Shares") for eligible executives and/or directors of SSB and its subsidiaries ("Group") ("ESS 2022"). The ESS 2022 would be in force for a period of 10 years from 15 November 2022.

(i) ESOS

During the financial year ended 30 June 2024, there were no grant or vesting of conditional incentive share options over SSB Shares to eligible executives of the Group.

(ii) ESGS

During the previous financial year, 1,150,000 free SSB Shares were granted to eligible executives of the Company, subject to the achievement of certain performance criteria over a performance period.

During the financial year ended 30 June 2024, there were no grant of free SSB Shares to eligible executives of the Company. As at 30 June 2024, none of the free SSB Shares had been vested and 1,150,000 free SSB Shares remain outstanding.

The number of shares granted are as follows:

	2024 '000	2023 '000
Outstanding at 1 July	1,150	-
Granted during the year	-	1,150
Outstanding at 30 June	1,150	1,150

AUDITED FINANCIAL STATEMENTS OF SSM FOR THE FYE 30 JUNE 2024 (CONT'D)

Registration No. 198001012163 (65949 - T)

12. Employee benefits (continued)

12.2 Share-based payments (continued)

Weighted average fair value of share grants and assumptions

	2024	2023
	<u>RM0.55 -</u>	<u>RM0.55 -</u>
	<u>RM0.57</u>	<u>RM0.57</u>
Weighted average fair value at reporting date		
At reporting date:		
Weighted average share price	RM0.502	RM0.502
Expected volatility (weighted average volatility)	49.78%	49.78%
Weighted average expected dividends	-	-
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.63% - 3.65%	3.63% - 3.65%
Value of employee services received for issue of share grants		
	2024 RM'000	2023 RM'000
At 1 July	100	-
Share cost recognised	-	100
Share cost reversed	<u>(100)</u>	<u>-</u>
At 30 June	<u>-</u>	<u>100</u>

13. Trade and other payables

	Note	2024 RM'000	2023 RM'000
Trade			
Trade payables			
- Third parties		10,378	301
- Immediate holding company	13.1	4,983	32,426
		<u>15,361</u>	<u>32,727</u>
Non-trade			
Amount due to:			
- Immediate holding company	13.2	136	300
- Related company	13.2	-	7
Other payables		1,423	2,406
Accrued expenses		<u>2,654</u>	<u>4,171</u>
		<u>4,213</u>	<u>6,884</u>
		<u>19,574</u>	<u>39,611</u>

13.1 The trade amount due to immediate holding company is subject to the normal trade terms.

13.2 The non-trade amounts due to immediate holding company and related company are unsecured, interest-free and repayable on demand.